

Mongolia 2016 Country Commercial Guide

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Doing Business in Mongolia

Market Overview

- The variation over time in the quantitative values of Mongolia's key economic indicators and trade statistics captures the dramatic difference between the country's decidedly positive medium-to-long-term prospects as an investment destination and its less rosy short-term prospects.
- Over the past decade, Mongolia's GDP has increased by 350 percent (\$3.41 billion in 2006 versus \$12.01 billion in 2015), its GDP per capita has increased by 310 percent (\$1,134 to \$4,130), its poverty rate has dropped from 37 percent to 21.6 percent, and its inflation rate has dropped from an annual average of 23 percent to 2.1 percent in March 2016. The factors responsible for this impressive record -- including tremendous mineral reserves, agricultural endowments, proximity to the vast Asia market, and an educated labor force -- remain in place and bode well.
- Since 2011, however, the numbers suggest a disconcerting trend. Foreign Direct Investment (FDI) into Mongolia has decreased by a staggering 95 percent (\$4.7 billion in 2011 versus \$232 million in 2011), GDP growth has similarly collapsed (18.3 percent to near zero with economic contraction looming), and the official unemployment rate has increased from 4.8 percent to 11.6 percent. Although some of the factors responsible for this steep downturn are beyond Mongolia's control (global commodity prices, Chinese economic slowdown), others were self-imposed (FDI-d discouraging legislation, capricious corporate tax levies, prosecutions of dubious merit of foreign business executives).
- The Government of Mongolia that assumed power in December 2014 has enacted investor-friendly legislation, proactively courted FDI, and adopted a policy of promoting economic diversification. These steps, if maintained and expanded, have solid prospects for returning Mongolia to sustained economic growth once the negative effects of the previous missteps have been rung from the marketplace.
- China and Russia, Mongolia's only contiguous neighbors, dominate the Mongolian market. More than 90 percent of Mongolian exports are transmitted to or through China; Russia provides 90 percent of Mongolia's refined petroleum products.
- Mongolia exported \$5.3 billion in goods and services in 2015 (\$5.82 billion in 2014) and imported \$3.92 billion (\$4.74 billion in 2014). U.S. companies exported \$69.2 million in goods and services to Mongolia in 2015 (\$167 million in 2014) and imported \$17.2 million (\$14.9 million in 2014). Accordingly, the U.S. share of total Mongolian trade amounts to slightly more than one (1) percent of all Mongolian trade.
- Mongolia holds parliamentary elections on June 29, 2016. Only weeks before the election, a solid majority of Mongolian voters were undecided about which of three main political parties they would support. Whereas the propriety of FDI in fiercely independent Mongolia was a front-burner issue during the 2012 parliamentary election, Mongolians in 2016 appear more concerned with rising unemployment and other pocketbook issues, a state of affairs that could favor pro-FDI candidates.

- **Top Five Reasons Why U.S. Companies Should Consider Exporting to Mongolia:**

1. Proximity to a regional market comprising three (3) billion consumers.
2. A pro-western government that is actively seeking to diversify its economy.
3. No onerous restrictions on repatriating profits and other funds.
4. Relative ease of establishing a business.
5. An educated and trainable work force.

Market Challenges

- **Weak Courts.** Ostensibly independent, Mongolia's judiciary is weak and compromised. Foreign litigants in civil or criminal legal disputes perceive themselves as disadvantaged before Mongolian courts. The Government of Mongolia's recent settlement-on-appeal of a large international arbitration award suggests that alternative dispute resolution may yet become a viable alternative.
- **Vague Laws.** Mongolian law, especially including Mongolian business law, is riddled with imprecision. Mongolia's lack of a transparent and effective rule-making process means that vagueness in law is not mitigated by application of more precise regulations. This legal and administrative vagueness invites inconsistency of rulings at best and corruption at worst.
- **SMEs Need Help.** SMEs generally do not qualify for government subsidies aimed at facilitating home ownership and ensuring adequate supplies of basic commodities. Mongolian banks earn serious commissions with negligible risk for implementing these subsidy programs. The banks are generally profitable, but the easy money derived from the subsidy programs and a worrisome rise in loan non-performance rates combine to leave the banks with little incentive to lend to SMEs. Private sector SMEs must also contend with the several dozen state-owned SMEs created by the government in recent years as a frankly bizarre nod to Mongolia's socialist past. SMEs will profit as the economy expands and diversifies, developments that most experts expect to get underway within 18 months to two years, but many SMEs will have difficulty surviving until then without better access to credit or incentive programs.
- **Inadequate Infrastructure.** Mongolia produces electricity almost exclusively from four Soviet-era coal-fired power plants that are well past their useful lives. Russia actively obstructs Mongolian efforts to tap its vast hydro-electric potential. Although Mongolia has created thousands of kilometers of paved roads in recent years, most of them are no match for the country's brutal winters and maintenance is minimal. The badly ageing Trans-Mongolia Railroad, a spur of the Trans-Siberian Railroad, is owned in equal parts by the governments of Mongolia and Russia.

Market Opportunities

- **Mining Just Scratching the Surface to Date:** Over 6,000 deposits of approximately 80 minerals have been mapped in Mongolia -- among them gold, copper, coal, uranium, rare earth oxides, iron ore, oil, tungsten, molybdenum and fluorspar. Much of Mongolia's land mass has yet even to be surveyed for deposits. Contiguous China provides a ready market for Mongolia's mineral wealth. Mongolia hopes to fully implement a transit agreement with China affording Mongolia preferred

access to onward-shipping facilities. Obstacles to full realization of the Oyu Tolgoi gold/copper mega-mine having been seemingly overcome, hundreds of related goods provision and services contracts are coming available.

- **Agriculture Value-Added:** Still the backbone of the Mongolian economy, the agriculture sector is sorely in need of modernization in order to meet international processing standards and qualify Mongolian meat and other agricultural products for export.
- **Infrastructure Build-Out:** Mongolia will open a new cargo-focused international airport in 2017 aimed at establishing a regional transit hub. The massive investment needed to create conventional (coal gasification) and renewable (hydro, wind, solar) electric power plants in Mongolia would prove warranted should plans to build out a Northeast Asia regional super grid come to fruition. Periodic discussion of the construction of railroads from Gobi Desert copper, gold, and coal mines to Chinese markets have failed to translate to railroad construction due to the down commodities markets, lack of available capital, and disagreement over whether new track should adopt Russian standards (wide-gauge) or Chinese standards (narrow-gauge). A rebound in commodity prices would provoke new due diligence efforts. Some Mongolian business and political leaders believe the combined copper output of the Oyu Tolgoi and Erdenet mines could eventually warrant construction of a smelter to enhance the value and lower the shipping costs of copper exports, though China is cool to the idea.
- Other sectors of a diversifying Mongolian economy with significant potential for growth include: renewable energy and green technologies; franchising; and internet technologies, with a focus on security.

Market Entry Strategy

- **Personal Relations Key:** Mongolians like to deal with *old friends*. Investors are well-advised to establish and maintain close relationships with Mongolian counterparts and relevant government agencies. Family and school ties remain strong in Mongolia. It is essential to learn who is related/connected to whom when establishing business connections.
- **Use of Agents:** Use of formally or informally appointed agents to guide a foreign entity wishing to enter the market through the ins and outs of local customs and business practices is the norm in Mongolia. A due diligence visit is also strongly advised with U.S. Embassy Ulaanbaatar a first stop.

Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes:

<http://www.state.gov/r/pa/ei/bgn/2779.htm>; or contact the Commercial Section at the U.S. Embassy in Ulaanbaatar (Ulaanbaatar-Econ-Comm@state.gov).

Selling U.S. Products & Services

Using an Agent to Sell U.S. Products and Services

The formal appointment of an agent or distributor is NOT legally required for a foreign entity to enter the Mongolian market, though use of an agent or distributor is advisable as are frequent visits. Mongolia's population of three million generally dictates that agent and distributor contracts involving foreign business entities are usually non-exclusive; care should be taken by foreign investors when contracting with a given agent or distributor to learn whether that agent or distributor represents or may come to represent competing foreign or domestic companies. The U.S. Embassy in Ulaanbaatar can help U.S. exporters find appropriate sales agents and distributors.

Until the June 2016 implementation of the Mongolia-Japan Economic Partnership Agreement (EPA), Mongolia's first ever bilateral free trade agreement, companies registered in Mongolia enjoyed very little by way of preferred access to any regional market. This EPA creates the potential for foreign companies registered in Mongolia to gain preferred access to the much larger Japanese market. Mongolia hopes to conclude similar agreements with other countries in the region.

Establishing an Office

The 2013 Investment Law (IL) of Mongolia recognizes as a form of investment the establishment of "a new business entity solely or jointly with other investors." The IL expressly imposes two obligations on sub-categories of foreign investors that are not imposed on domestic investors: (1) a "foreign state-owned legal entity" may hold a 33 percent or more equity stake in a legal entity of Mongolia in certain sectors (mining; banking and finance; and media and communications) only with express permission of the Government of Mongolia, and (2) when foreign direct investment accounts for 25 percent or more of the equity of a Mongolian business, each involved foreign investor having invested \$100,000 or more must individually register with Mongolian authorities. With these two exceptions, the IL states that "this law shall apply to the investments which are made by foreign and domestic investors in the territory of Mongolia."

The Invest Mongolia Agency

Would-be domestic and foreign market entrants alike should make use of the services of the Invest Mongolia Agency (IMA), which reports directly to the Prime Minister (IMA: <http://www.investmongolia.com>). IMA works in concert with the General Agency for Registration and Statistics (GARS: <https://burtgel.gov.mn>) to register all foreign-invested ventures.

The following fees (payable to GARS) are for IMA services rendered in connection with the facilitation of the following mandatory steps in establishing a business office in Mongolia:

1. Opening of branch, representative office and unit – 1 100 000Tg (\$550)
2. Establishing foreign invested entity – 750 000Tg (\$375)

3. Registering changes in contracts and by-laws of branches, representative offices and units – 35 000Tg (\$17.50)
4. New ID – 20 000Tg (\$10)

Register with General Authority for Customs and Taxation

To become a legal entity in Mongolia, a market entrant must register with the General Authority for Customs and Taxation (GACT). GACT registers the business entity and makes the registration public. GACT requires a \$10 filing fee and the following documents from investors:

- The agreement and charter signed by all parties involved in the venture.
- The certificate of approval from GARS.
- A notarized schedule showing the equity or shares held by each partner.
- The local bank account numbers of Tugrik and other hard currency accounts to be used by the venture.
- A copy of the foreign company representative's passport.
- A certificate showing the amount of capital held by the foreign company in its home country.
- A certificate of approval from the local administration where the venture will be based in Mongolia.

Applicants may need additional documents and (or) pay additional fees on a case-by-case basis.

District or *aimag* (provincial) tax offices will be informed about the registration of a market-entrant with GACT. The new entity must register with the *aimag* tax office within 14 days after of the GACT registration.

Register with the General Authority for Social Insurance (www.ndaatgal.mn)

A market entrant must register with the Social Insurance office of the respective district or *aimag* and get a social insurance certificate. The entity needs to bring a copy of its state registration certificate along with the original certificate.

Franchising

U.S. franchises are penetrating the Mongolian market: Coffee Bean and Tea Leaf, Cinnabon, KFC, Pizza Hut, Round Table Pizza, and Burger King. Several other food franchises are in the process of opening in Mongolia. Of Mongolia's three million people, over 60% live in Mongolia's three major urban areas. Ulaanbaatar (UB) has over a million people— nearly 45% of the total. It is the key market and economic engine in Mongolia. With such a concentrated populace, investors need no far-flung network to tap the UB market.

American products enjoy a good reputation; and, generally find Mongolia an excellent fit. Mongolia is a very youthful country. Over 81% of Mongolia's three million people are under 40. Approximately 76% are under 35 years. Flexible, open to new products, services, and ideas, Mongolians particularly like American brands. Most city dwellers have smart phones, radios, TVs, etc. Newspapers are cheap and billboards abound.

Mongolians appreciate quality and will pay for it. Personal appearance and lifestyle count for much in Mongolia. People are conscious of where they shop, how they communicate, what they wear, what they eat, and what they drive. Mongolians will pay to convey the *right* message and to own the *right* product. American products are often *the right product*.

Mongolians also have an increasing disposable income. Although the government places the minimum monthly wage at 190,000 Tugriks or about USD 100, official figures do not capture actual economic capacity. 2014 estimates put annual per capita GDP of USD 11,508 on a per capita purchasing power parity basis. In addition, to formal jobs, many Mongolians earn hundreds of dollars a month through gray market activities, and foreign remittances bring in hundreds if not thousands of dollars for some Mongolian families. A best guess puts the effective number willing and able to pay for American goods and services on a regular basis somewhere between 600-800 thousand people.

The ongoing success of the first franchise entrants into the Mongolian market shows that Mongols will buy American franchise products—even given the availability of cheaper competition, albeit of demonstratively lower quality. Where the price differentials are reasonable and the qualitative difference clear, franchisers and their franchisees seem to be succeeding.

The Foreign Investment Law of Mongolia identifies franchising as a potential foreign investment category; therefore, it is entitled to the same status as any other foreign investment under current Mongolian law.

Direct Marketing

While individual firms may send employees out into the field to post bills and shove sales literature under doors or send text messages to cellular service customers advertising new products, there is no coherent system of direct marketing currently available in Mongolia. In-house experience at advertising firms is evolving and there is now some limited specialized expertise available for hire.

Joint Ventures/Licensing

The 2013 Foreign Investment Law of Mongolia does not require foreign investors to have a Mongolian joint venture partner. Businesses may be 100 percent foreign-owned and operated.

Selling to the Government

International donors have helped Mongolia bring its procurement practices in line with open and competitive bidding. Most tenders now follow World Bank procurement policies. The government's procurement code generally conforms to World Trade Organization standards. However, oversight of the process remains weak and inconsistent leading to irregularities in practice. Mongolia has been registered as an observer to the WTO Convention on Government Procurement since 1999 but is not a party to it.

Distribution & Sales Channels

Most products enter and exit Mongolia through a few key ports of entry/exit:

To/from China:

- Zamyn-Uud, along a spur of the Trans-Siberian Railroad and a north-south road terminating at Mongolia's south-eastern border with China
- Bichigt, Erdenetsagaan soum, Sukhbaatar province, along south-eastern border with China's Inner Mongolian Shiliin gol province
- Yarant, along Mongolia's south-western border with China's Xinjiang Province

To/from Russia:

- Sukhbaatar City, along a spur of the Trans-Siberian Railroad at Mongolia's north-central border with Russia
- Tsagaan Nuur, along Mongolia's north-western border with Russia

Zamiin-Uud is the most important of the five, and through it passes most of Mongolia's imports and exports, as well as many key Russian commodities – petroleum products, wood, copper, etc., bound for the Chinese market.

Products enter Zamiin-Uud or Sukhbaatar by rail, truck, or car. Products leaving Mongolia by rail are usually inspected at Mongolian Customs Authority (MCA) warehouses in Ulaanbaatar (UB) before being sent south or north. Products entering Mongolia by rail are usually routed un-opened to customs inspection facilities in Ulaanbaatar. From Ulaanbaatar, products are distributed throughout the country. Increasingly, heavy equipment bound for Gobi mining sites clears customs in Zamyn-Uud for more direct shipment to the mine sites.

Products entering Mongolia by truck or auto are inspected at border crossing points. In most cases, these are small traders bringing in limited quantities of food and dry goods for direct sale in rural Mongolia.

Products bound for sale in UB and in other Mongolian cities are trucked from customs facilities to wholesale and retail outlets dispersed through the cities. Distribution of products to rural Mongolia is usually accomplished by small retailers who travel to urban centers in the Mongolian countryside by rented truck or auto. They purchase goods at local wholesale venues and bear the expense of transport back to their own retail outlets.

Distribution of perishable livestock and organic products within Mongolian and across its borders is hindered by the limited availability of refrigerated shipping facilities, foreign phytosanitary restrictions, inadequate veterinary disease controls, and infrastructure bottlenecks at ports of entry and along the shipping lines.

Express Delivery

The national postal service (Mongol Post <http://www.mongolpost.mn>) exchanges express postal service with 36 countries 2-5 times per week. **EMS** – express mail 0-0.1kg weight to the USA costs 66.330 MNT. It takes 5-7 business days.

Other well-known express delivery services:

DHL - express mail weight 0-0.2kg to the USA costs \$46 and takes 3-5 business days.
<http://www.dhl.mn/en/express.html>

UPS (Selenge group Co., Ltd) express mail weight 0-0.2kg to the USA costs \$42 and takes 2-5 business days. <https://www.ups.com/content/corp/worldwide/asia/mongolia.html>

Fedex (Tuushin LLC) – 0-0.5kg costs MNT92.000 to the USA: <http://www.fedex.com/mn/>

TnT (Mongolian Air Transport company) www.matcom.mn.

Selling Factors & Techniques

- In Mongolia personal relationships are essential. Exporters, importers and investors must establish and maintain close relationships with their Mongolian counterparts and relevant government agencies. Equally important, American exporters should encourage strong personal relationships between their Mongolian agents or distributors and buyers and end-users. A web of strong personal relationships can smooth development of business in Mongolia.
- Initial contacts with Mongolians can be in English, but it always helps to be accompanied by an interpreter at the start of any relationship. Mongolians look for cues of serious intent by how much effort – time and material – a foreign investor puts in the early phases.
- It is a mistake to see Mongolians through the prism of their neighbors. That is, thinking that Mongolians are like the Chinese or the Russians or the Koreans, etc. While both historical and cultural ties exist between Mongolia and its neighbors, Mongolians are conscious and proud of their history and the progress of their country over the last 25 years. They become offended if confused with China and deeply resent being compared to other developing countries with similar commodity-dependent economies – especially those in Africa. They prefer to be compared to other former Eastern Bloc nations such as Poland, the Czech Republic, etc.
- Promotional materials can be in English, but if possible, preparing a basic information sheet or packet in Mongolian is appreciated. Avoid Chinese language materials, as many Mongolians associate China with poor quality products.
- Avoid letting cultural sensitivity to Mongolian norms deter best practices and commonsense. Some Mongolians tell investors that Mongolian customs preclude best commercial practices, insisting that an attractive deal *would* go through if only these practices are ignored. We advise investors to politely but firmly cleave to sound business principles. Investors who do so will earn the respect of Mongolians and may protect their investment, too.

eCommerce

While computers and the Internet are common, eCommerce has yet to blossom. Although UB consumers demand for e-services has grown along with size of the market, lack of faith in the security of Mongolian ISPs and public networks hobbles wide-scale adoption outside of banking sector applications.

However, these assumptions remain perceptions rather than proven realities, because no formal market survey of the demand and ability of consumers to pay for e-services has been conducted.

Trade Promotion & Advertising

Advertising is an effective way to create product awareness among potential consumers in Mongolia. Newspapers and magazines, radio, cell phones, television and billboard displays, and sports and entertainment sponsorships are mass advertising venues. Almost every household in Ulaanbaatar (over 50 percent of Mongolia's consumer market) has smart phones, TVs, and radios. In addition, cellular service has become available in almost every part of the country, allowing advertisement by phone to reach all but the most remote corners of the nation. There are many advertising companies in Mongolia. The Mongolian Chamber of Commerce and Industry holds annual spring and autumn trade shows with participants from around Mongolia, Russia, China and Korea.

Two caveats about advertising:

1. In the U.S., companies can deduct the cost of advertising as a legitimate business expense. In Mongolia deduction of advertising costs is limited to 5 percent of the gross profit – no matter how much a company spends on advertising.
2. The Law on Advertising of Mongolia restricts the sorts of information that may be presented. For example, advertisers must not *tarnish* the honor of Mongolia, promote alcohol or tobacco products, or directly compare products in their ads.

These issues aside, Mongolians have taken to advertising in a big way. Both buyers and sellers appreciate the value of advertising and are completely open to just about every method of providing information on products.

Major newspapers and business magazines:

Business Times - a monthly business paper, in Mongolian, published by the Mongolian Chamber of Commerce and Industry

<http://www.mongolchamber.mn/en/index.php/publications/business-times-newspaper>

Brand—a monthly business magazine

Mongol Messenger - weekly English language paper published by the Mongolian news agency
www.mongolmessenger.mn

MONTSAME (the Mongolian national news agency) www.montsame.mn

Mongolyn Medee - (News of Mongolia) Genco Company

Odriin Sonin - (Daily News) daily newspaper www.dailynews.mn

UB Post - weekly English-language newspaper published by Mongol News Group
ubpost.mongolnews.mn

Unoodor - (Today) independent daily newspaper published by Mongol News Group
www.mongolnews.mn

Zuuny Medee - (Century News) daily newspaper www.zuuniimedee.mn

Ardyn Erkh - Mongol Mass Media group

Undesnii Shuudan - director B.Ganbold

Uls turiin toim

Ogloonii sonin-

Unen

Ardchilal

Television stations include:

MNB - State-owned broadcaster

Channel 25

Mongol TV

RGB

UBS - (Ulaanbaatar Broadcasting System)

TV-5

TV-9

TM – private television station

TV8 - private television station

NTV

C1

Ekh oron

SBN

Eagle TV (ETV)

MNC

Pricing

Sensitive to price, Mongolian consumers will choose the less expensive product, rather than a specific brand – unless they can be swayed by after-sales service or clear product superiority. However, Mongolians prefer to buy the best quality they can. They generally perceive American-branded goods as superior and will pay a premium to avoid purchasing lower quality items on a product-by-product basis.

Sales Service/Customer Support

Mongolian custom, law, and regulation are evolving in the area of sales service and customer support. Mongolian customers and businesses continue to explore the sets of services and practices that constitute an even basic support package for sales and customer support. In addition, Mongolians have not fully embraced – but no longer reject out of hand – the concept that after-sales service and support

may justify the higher upfront costs they might incur by buying more expensive U.S. products rather than cheaper Chinese or Russian-made ones.

Education about the value of after-sales service and experience with failed equipment has turned the corner for some American product lines in the heavy equipment sector. Currently, firms selling electronic equipment, autos, and mining equipment and tools pursue a variety of options. Generally, models based on best sales service and customer support practices used by well-known Western and Japanese firms have found favor among many Mongolians. Companies that follow such practices are perceived as better and more reliable.

IP Resources

Several general principles are important for effective management of intellectual property (“IP”) rights in **Mongolia**. First, it is important to have an overall strategy to protect your IP. Second, IP may be protected differently in Mongolia than in the United States. Third, rights must be registered and enforced in under local laws. For example, your U.S. trademark and patent registrations will not protect you in Mongolia. There is no such thing as an “international copyright” that will automatically protect an author’s writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works in accordance with international agreements.

Granting patents registrations are generally is based on a first-to-file [or first-to-invent, depending on the country basis. Similarly, registering trademarks is based on a first-to-file [or first-to-use, depending on the country], so you should consider how to obtain patent and trademark protection before introducing your products or services to the Mongolia market. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government cannot enforce rights for private individuals in Mongolia. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Mongolian law. The U.S. Commercial Service can provide a list of local lawyers upon request [If this list is available on embassy website, [hyperlink here](#)].

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the responsibility of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Mongolia require constant attention. Work with legal counsel familiar with Mongolian laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Mongolian or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the U.S. and other countries -- call the STOP! Hotline: **1-866-999-HALT** or visit www.STOPfakes.gov.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: **1-800-786-9199**, or visit <http://www.uspto.gov/>.
- For more information about registering for copyright protection in the United States, contact the U.S. Copyright Office at: **1-202-707-5959**, or visit <http://www.copyright.gov/>.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, please visit the "Resources" section of the STOPfakes website at <http://www.stopfakes.gov/resources>.
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: **www.stopfakes.gov/businesss-tools/country-ipr-toolkits**. The toolkits contain detailed information on protecting and enforcing IP in specific markets and also contain contact information for local IPR offices abroad and U.S. government officials available to assist SMEs.

The U.S. Department of Commerce has positioned IP attachés in key markets around the world. You can get contact information below for the IP attaché who covers the following countries:

CHINA

Beijing, China

Joel Blank

joel.blank@trade.gov

Guangzhou, China

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Due Diligence

The U.S. Embassy in Ulaanbaatar can assist by providing verifiable, non-confidential information on both reputations and actions of firms and individuals active in Mongolia as circumstances and law allow.

Local Professional Services

Licensing technologies, opening representative offices, or establishing subsidiaries in Mongolia involve tax and other laws as well as questions on business practices that may best be addressed by attorneys and accountants familiar with Mongolian requirements.

Attorneys: Several U.S. law firms or U.S.-Mongolian firms operate in Mongolia, in addition to competent Mongolian firms. You can find a partial list on the U.S. Embassy website:

<http://mongolia.usembassy.gov>, or contact the U.S. Embassy at Ulaanbaatar-Econ-Comm@state.gov.

Principle Business Associations

The American Chamber of Commerce in Mongolia (AmCham): AmCham is an independent membership-driven organization that seeks to build, strengthen, and protect business between the United States and Mongolia and to actively promote Mongolia as a destination for American investment. AmCham Mongolia is accredited by the U.S. Chamber of Commerce as its official affiliate in Mongolia. www.amcham.mn.

Business Council of Mongolia (BCM): The BCM aims to make constructive contributions to enhancing the business environment in Mongolia and works to foster trade and business relations by providing a networking forum for its members. The BCM sponsors, partners and hosts Mongolia's leading investment conferences locally and in foreign countries. <http://bcmongolia.org/>

Mongolian National Chamber of Commerce and Industry (MNCCI): The MNCCI is devoted to the development of international trade and investment in Mongolia's business community. MNCCI has expanded to include 19 subsidiary branches in the Mongolian countryside and actively cooperates with more than 40 international Chambers of Commerce and Trade Promotion Organizations. MNCCI also houses the Mongolian National Arbitration Center. <http://www.mongolchamber.mn/en/>

Mongolian Builder's Association (MBA): The MBA is the largest non-government organization in the construction sector in Mongolia with 950 members in 21 provinces serving to protect its member rights. <http://www.buildersasso.mn/>

Mongolian National Mining Association (MNMA): The MNMA is a nonprofit and non-governmental organization comprised of all individuals, business entities and organizations on a voluntary basis, that engage in production, scientific research, mapping and projection, services, and training in the mining sector; it certifies them as its members, and provides its services for the benefit of its members, and runs its activities independently from the state and on the principle of self-governance. <http://mnma.builder.mn/en>; www.miningmongolia.mn

North American Mongolian Business Council (NAMBC): The NAMBC advocates, advances and expands North America-Mongolia bilateral trade and investment to the benefit of its Canadian, American, and Mongolian members by working closely with the governments of Mongolia, Canada and the U.S. to strengthen economic ties and promote policy frameworks that insure transparency and a level playing field in the business climate. <http://www.nambc.org/>

Limitations

There are no manufacturing sectors or services limited to Mongolian citizens or a sub-set of the Mongolian population by statute or regulation to own or sell.

Selling U.S. Products and Services Web Resources

Mongolian Resources

Government of Mongolia: <http://zasag.mn/>

Invest Mongolia Agency: <http://www.investmongolia.com/>

General Tax Authority of Mongolia: www.mta.mn

General Agency for Registration and Statistics: <https://burtgel.gov.mn>

General Authority for Social Insurance: www.ndaatgal.mn

Customs General Administration: www.customs.gov.mn

Intellectual Property Office: <http://www.ipom.mn/>

Mineral Resources and Petroleum Authority of Mongolia: <http://www.mram.mn>

Mongol Chamber of Commerce and Industry: <http://www.mongolchamber.mn/en/>

Mongolian Builders Association: <http://www.buildersasso.mn>

Mongolian National Mining Association: www.miningmongolia.mn

Embassy of Mongolia, Washington, DC: <http://www.mongolianembassy.us>

Parliament of Mongolia: www.parliament.mn

American Chamber of Commerce in Mongolia: <http://amcham.mn/>

Business Council of Mongolia: www.bcmongolia.org/

U. S. Government Resources

U.S. Embassy in Ulaanbaatar Commercial Specialists: Ulaanbaatar-Econ-Comm@state.gov

U.S. Embassy, Ulaanbaatar: <http://mongolia.usembassy.gov>

U.S. Department of State: <http://www.state.gov/>

U.S. Department of Commerce: <http://www.commerce.gov/>

U.S. International Trade Administration: <http://www.trade.gov/>

U.S. Trade and Development Agency: <http://www.ustda.gov>

U.S. Export-Import Bank: <http://www.exim.gov/>

U.S. Overseas Private Investment Corporations: <http://www.opic.gov>

The Advocacy Center: <http://export.gov/advocacy/>

Trade Regulations, Customs, & Standards

Import Tariff

Most imported goods are subject to 5 percent import tax while some are subject to seasonal duties. Certain goods for export are subject to specific customs duties. Any physical or legal entity engaged in foreign trade is liable to pay customs duties as well as some other taxes and fees upon importation or exportation.

The following goods are subject to 15 percent customs duty between August 1 and April 1 every year. For the remaining period of the year, 5 percent customs duty applies.

- Potatoes

- Onions
- Cabbages
- Yellow carrots
- Yellow turnips
- Flour (July 1 – April 1)

As of May 1, 2016, the government of Mongolia, in order to support domestic manufacturing, raised tariffs from 6.5-20 percent on over 100 goods spanning 28 categories of imports.

By the Amended Law of Mongolia on Customs, Tariff and Tax and the Law on Value-Added Tax, both executed in December 2015, equipment, parts and spare parts to be used for renewable energy manufacturing and its research studies are exempt from customs tax and value-added tax. For more information on import and export tariffs and non-tariff regulations: <http://ecustoms.mn/>.

Trade Barriers

Mongolia generally offers exporters and investors a fairly free trade regime lacking quotas, onerous licensing requirements or local sourcing. However, the lack of transparency and consistency in how regulations are both crafted and applied remain obstacles to trading with and doing business in Mongolia.

Import Requirements & Documentation

Customs clearance for export and import consists of the following steps:

1. Declaring goods
2. Inspection of customs documents
3. Inspection of the goods and means of transport
4. Levying customs duties and other taxes and payments thereto
5. Granting permission and releasing goods to cross customs border.

For more information see: <http://ecustoms.mn/>

Export/Import of Strategic food:

According to the Interim Regulation on Issuing export/import license for strategic food, approved by Government resolution No 77 dated March 02, 2013, licensing of export and import of strategic food as defined in Article 3.1.6 of the Law on Food (a) liquid and powder milk, (b) meat of cattle, horse, camel, goat and sheep processed other than heating, (c) wheat flour, (d) potable water shall be based on open tender for the given year. The National Council on Food Security shall define the type and amount of strategic food to be exported/imported based on proposals by the ministry in charge. The license is issued for each type of food and valid for 6 months.

U.S. Export Controls

A list that consolidates eleven export screening lists of the Departments of Commerce, State and the Treasury into a single search as an aid to industry in conducting electronic screens of potential parties to regulated transactions is available: <http://developer.trade.gov/consolidated-screening-list.html>.

Temporary Entry

Mongolia joined the Istanbul Convention on Temporary admission of goods in 2002. The Mongolian National Chamber of Commerce and Industry is assigned as the organization in charge of issuing ATA carnet and guarantee. Six annexes are being implemented (A, B1, B2, B3, B5 and C) and 11 customs organizations of Mongolia were approved for border crossing rights. These are:

1. Customs branch at Altanbulag, Selenge province
2. Customs office at Zamyn-Uud, Dornogobi province
3. Customs office of Ulaanbaatar city
4. Customs bureau of Darkhan-Uul province
5. Customs bureau of Orkhon province
6. Customs bureau at Khankh, Khuvsgul province
7. Customs branch at Tsagaannuur, Bayan-Ulgii province
8. Customs branch at Ereentsav, Dornod province
9. Customs branch at Bulgan, Khovd province
10. Customs branch at Borshoo, Uvs province
11. Customs office at Buyant-Ukhaa

More information is available: <http://ecustoms.mn/>

Contact the Customs Control & Clearance Department of the General Customs Office at +976 11 353541.

Labeling/Marking Requirements

Labels of imported food must be written in Mongolian, Russian or English languages. Only a properly registered legal entity of Mongolia is allowed to import food (not individuals). An exporter needs to conclude an agreement with a Mongolian importer that introduces quality management and standards for agriculture, food and health. Contact Export/Import Monitoring Department, General Agency of Specialized Inspection at: +976 51 264147.

Prohibited & Restricted Imports

Prohibited items include drugs/narcotics, devices and equipment for use and manufacturing of them and narcotic plants, all types of spirit, and scrap metal, (ferrous and non-ferrous). Narcotics and narcotic plants for medical purposes are allowed only by permission of the State central organization in charge of health.

Restricted items include highly toxic chemicals, organs and donor blood for the purpose of preventing and treatment under required medical control, guns, rifles, weapons, military equipment and devices and their spare parts, or explosives. Mongolia restricts the import and export of certain items. Please consult customs regulations in detail before importing or exporting these items. These include:

- Uranium and uranium concentrates;
- Poisonous chemicals
- Organs and blood products for the purpose of preventing and treatment under required medical control
- Firearms and ammunition, spare parts, outfit and explosives
- Artifacts and cultural property, including historical, cultural, fossils, archeological and similar items
- Breeding animals,
- Animal and animal originated raw materials, experimental samples and probes
- Animal embryos, microorganism culture

For more information: <http://ecustoms.mn>.

Customs Regulations

Customs General Administration: <http://www.ecustoms.mn/>

Contact: Director, International Cooperation Division

Tel: 976-51-266782

E-mail: info@ecustoms.mn

Standards

Overview

The national standards body of Mongolia is the Mongolian Agency for Standardization and Metrology (MASM) <http://masm.gov.mn/>. Its Chairman is appointed by the Government of Mongolia and reports to the Deputy Prime Minister's Office. The highest decision-making organ of MASM is its National Council, whose 19 members from ministries, agencies, nongovernmental organizations, scientific academia and industry are approved by the Cabinet .

The aim of MASM in standardization is to contribute to the development of Mongolian society, economy, industry and trade by establishing standards on the basis of mutual understanding and voluntary agreement between parties in governmental authorities, industry and business, with regard to consumers' rights, and to continuously develop standardization activities aligned to the market system.

The preparation, application and promotion of national standards are set out in the Mongolian law on "Standardization and Conformity Assessment," adopted in 2003 which is now being amended.

MASM approves and publishes all Mongolian standards, represents Mongolia in international standardization within ISO, and is the Mongolian WTO/TBT inquiry point.

Standards

The National Council of Standardization approves and adopts the standards used within the territory of the country after being reviewed and accepted by the standardization Technical Committee (TC). There

are 49 TCs and sub-committees at the MASM. The Department of Standardization and Technical Regulation is in charge of regulating TC activities and to define, resolve and develop national standards. There are about 6210 national standards, 42 percent of which are in compliance with international or regional standards. Within the framework of the Agreement signed with the European Committee for Standardization (CEN), Mongolia aims to raise that to 90 percent. The list of national standards is available at: http://www.estandard.gov.mn/index.php?module=menu&cmd=content&menu_id=132

Technical regulations:

Technical regulations shall be exercised in order to ensure the safety of products, which may harm the public interest, human health, the environment or security of nations, and to prevent supply of deceptive products into the market. A regulation is approved by the Government Cabinet. The central body in charge of standards issues, MASM, shall review and draw conclusions on draft technical regulations. The Government Cabinet member in charge of trade issues, the Ministry of Economic Development, shall exercise the power to accept domestically the technical regulations proposed by the member countries of the World Trade Organization (WTO) to apply in international trade (in accordance to the Convention on Technical Barriers to Trade). The central body in charge of standard issues, MASM, shall inform other members of the WTO no less than three months in advance before the adoption of technical regulations proposed by member countries of the WTO.

The NIST Notify U.S. Service:

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at: <http://www.nist.gov/notifyus/>

Conformity Assessment

The Department of Product and System Conformity conducts activities in the following fields:

- Imported product conformity
- Exported product conformity
- Services conformity
- Domestic product conformity
- System conformity
- Approval of “MNS” mark for products and services
- Conformity for “Eco” mark

For information: <http://www.masm.gov.mn/index.php?module=divisions&cmd=conformity>

Product Certification

The national testing organization for *proficiency testing* is the Laboratory of Reference Materials at MASM. The laboratory is in charge of the laboratory requirements for proficiency of testing and calibration laboratories usually on food products, water and minerals. For more details call 976 7018 5279.

For information: <http://www.masm.gov.mn/index.php?module=divisions&cmd=conformity>

Accreditation

The Department of Accreditation of MASM has authority for accreditation of the following institutions:

- Accreditation for testing laboratory
- Accreditation for organizations of technical monitoring and confirmation
- Accreditation for human health and veterinary laboratory
- Accreditation for metrology laboratory

For more information contact the Department of Accreditation, call MASM at 976-51-263907; or go to <http://www.masm.gov.mn/index.php?module=divisions&cmd=accreditation>.

Publication of technical regulations

Publication of technical regulations is a responsibility of MASM: <http://masm.gov.mn/index.php>.

Contact Information

Mongolian National Center for Standardization and Metrology: <http://masm.gov.mn/index.php>

Trade Agreements

- Mongolia has signed and ratified most WTO treaties. For more information go to
 - <http://www.wto.org/>
- Mongolia has signed and ratified bilateral investment treaties with the following countries: UNCTD: http://www.unctad.org/sections/dite_pcbb/docs/bits_mongolia.pdf.

Reporter	Partner	Date of Signature	Entry in to force
Mongolia	Austria	19-May-01	1-May-02
	Belarus	28-May-01	1-Dec-01
	Belgium/Luxembourg	3-Mar-92	15-Apr-04
	Bulgaria	6-Jun-00	-----
	China	25-Aug-91	1-Nov-93
	Croatia	8-Aug-06	-----
	Cuba	26-March-99	-----
	Czech Republic	13-Feb-98	5-Jul-99
	Denmark	13-Mar-95	2-Apr-96

	Egypt	27-Apr-04	25-Jan-05
	Finland	15-May-07	-----
	France	8-Nov-91	22-Dec-93
	Germany	26-Jun-91	23-Jun-96
	Hungary	13-Sep-94	29-Aug-95
	India	3-Jan-01	29-Apr-02
	Indonesia	4-Mar-97	13-Apr-99
	Israel	25-Nov-03	2-Sep-04
	Italy	15-Jan-93	1-Sep-95
	Japan	15-Feb-01	24-Mar-02
	Kazakhstan	2-Dec-94	3-Mar-95
	DPR of Korea	10-Nov-03	-----
	Republic of Korea	28-Mar-91	30-Apr-91
	Kuwait	15-Mar-98	1-May-00
	Kyrgyzstan	5-Dec-99	-----
	Lao People's DR	3-Mar-94	29-Dec-94
	Lithuania	27-Jun-03	3-May-04
	Malaysia	27-Jul-95	14-Jan-96
	Netherlands	9-Mar-95	1-Jun-96
	Philippines	1-Sep-00	1-Nov-01
	Poland	8-Nov-95	26-Mar-96
	Qatar	29-Nov-07	-----
	Romania	6-Nov-95	15-Aug-96
	Russian Federation	29-Nov-95	-----
	Singapore	24-Jul-95	14-Jan-96
	Sweden	20-Oct-03	1-Jun-04
	Switzerland	29-Jan-97	9-Sep-99
	Tajikistan	20-Mar-09	16-Sep-09
	Turkey	16-Mar-98	22-May-00

	Ukraine	5-Nov-92	5-Nov-92
	UAE	21-Feb-01	-----
	United Kingdom	4-Oct-91	4-Oct-91
	United States	6-Oct-94	4-Jan-97
	Vietnam	17-Apr-00	13-Dec-01

The text of the U.S.-Mongolia Bilateral Investment Treaty can be found at <http://www.state.gov/e/eb/ifd/43303.htm>.

Licensing Requirements for Professional Services

For information on licensing requirements for professional services contact the General Agency for Specialized Inspection at <http://inspection.gov.mn/>.

Trade Regulation Web Resources

- Invest Mongolia Agency: <http://www.investmongolia.com/>
- Ministry of Food and Agriculture: <http://mofa.gov.mn/>
- Ministry of Industry: <https://www.facebook.com/Ministry.of.Industry.of.Mongolia/>
- Mongolian National Chamber of Commerce and Industry: <http://www.mongolchamber.mn/en/>
- National Statistical Office: <http://www.nso.mn/contacts.php>
- Mongolian National Center for Standardization and Metrology: <http://masm.gov.mn/index.php>
- General Agency for Specialized Inspection: <http://inspection.gov.mn/>

Investment Climate Statement

Executive Summary

Mongolia's tremendous mineral reserves, agricultural endowments, and proximity to the vast Asia market make it an attractive foreign direct investment (FDI) destination in the medium to long term. However, depressed global commodities markets, limited infrastructure, and the Government of Mongolia's (GOM) love-hate-love track record with regard to foreign investors and FDI in recent years make caution advisable in the short term. FDI to Mongolia continues a dramatic decline from USD 4.7 billion in 2011 to USD 232 million in 2015, a drop of 95 percent. On the other hand, Mongolia has never missed a payment on its considerable foreign debt.

Since December 2014, Prime Minister Saikhanbileg has committed his coalition government to restoring Mongolia's battered economy. He has made renewed FDI and economic diversification the center of these efforts. Some developments are encouraging: the May 2015 signing of the *Oyu Tolgoi Underground Mine Development and Financing Plan*; the December 2015 Oyu Tolgoi USD 12 billion project financing agreement; and the March 2016 settlement on appeal of the USD 104 million GOM-Khan Resources Company (Canada) arbitration award.

U.S. and other foreign investors will grade the GOM that emerges from June 2016 parliamentary elections on its commitment to taking pragmatic steps to create and nurture a business-enabling environment. Any inventory of these pragmatic steps should include: (1) rooting out and destroying the virulent corruption that threatens the foundational institutions of the modern Mongolian state; (2) creating in reality the judicial independence the Mongolian constitution establishes in principle; (3) facilitating the emergence of private-sector small and medium size enterprises as the primary engine of the economic diversification; (4) more deeply establishing a fair and transparent system of taxation; (5) putting in place a more inclusive and more effective rule-making methodology for use in implementing business legislation; (6) establishing and maintaining a professional civil service; (7) modernizing traditional Mongolian business sectors such as agriculture and gold-mining; and (8) vastly improving Mongolia's physical infrastructure.

Notwithstanding this backdrop of immediate challenges, we continue to see significant longer term upside to the Mongolian investment climate. Recent legislation creates institutional frameworks for the ministries of industry and agriculture to support large-scale development of the domestic agriculture sector, the second largest contributor to GDP and employer after mining. Agriculture and animal husbandry, along with renewable energy, are sectors in which Mongolia has native advantages and which provide promise for economic diversification. While challenges exist, so too do significant opportunities for U.S. exporters of goods, services and technology.

Openness to and Restrictions upon Foreign Investment

Attitude toward Foreign Direct Investment

Foreign Direct Investment (FDI) coming into Mongolia declined by 95 percent from its 2011 peak of USD 4.7 billion to USD 232 million in 2015. Declining global prices for copper and coal – two commodity mainstays of the Mongolian economy – explain some of the investment nosedive, but GOM executive, legislative, and judicial missteps also discouraged foreign investment. Senior GOM leaders recently have publicly pledged to correct the FDI-related mistakes of past GOMs and the incumbent GOM has achieved a significant measure of remediation by adopting FDI-friendlier legislation, confirming respect for the 2009 investment agreement that established the Oyu Tolgoi copper/gold mega-mine project, decriminalizing some business tax disputes and consequently reducing the use of prosecutorial "exit bans" against foreign business executives, and acknowledging an obligation to honor international commercial arbitration awards.

U.S. investors welcome these positive steps but question whether they portend broader and more permanent progress. They are concerned that the Office of the Prosecutor General retains unappealable authority to indefinitely bar foreign nationals from leaving Mongolia. More fundamentally, they point to stalled GOM negotiations over construction of a fifth electricity generation plant as leaving in doubt Mongolia's ability to provide business-enabling infrastructure. They also cite depressed global commodity prices as a disincentive to invest in Mongolia's mining sector and other sectors (construction, real estate, IT, etc.) that depend on mining sector activity for profitability.

International financial institutions make Mongolia a more attractive destination for FDI through their extensive activities. The European Bank for Reconstruction and Development (EBRD) has invested nearly USD two billion in Mongolia, mostly in projects designed to facilitate private sector growth in the mining, energy, financial, agri-business, and retail sectors. The Asian Development Bank's USD 700 million project portfolio largely complements EBRD efforts in its focus on the transportation, energy,

urban utilities and services, education, and health sectors. The International Finance Corporation and the World Bank have committed several hundred million dollars to projects that support infrastructure development, employment generation, economic diversification as well as the institutional strengthening of the mining sector. Other UN agencies and NGOs also make significant contributions to making Mongolia more accommodating to FDI either as their primary missions or as secondary aspects of their programming.

Other Investment Policy Reviews

The GOM conducted an investment policy review through the United Nations Conference on Trade and Development (UNCTAD) in 2013 and a trade policy review with the World Trade Organization (WTO) in 2014. Although the Organization for Economic Cooperation and Development (OECD) has not conducted a comprehensive investment policy review of Mongolia in the past three years, it has completed economic studies on specific aspects of investment and development in Mongolia.

For UNCTAD Mongolia investment policy review:
<http://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=758>.

For WTO Mongolia investment policy review in the context of a Trade Policy Review:
http://www.wto.org/english/tratop_e/tpr_e/tp245_e.htm.

For OECD Mongolia reports: <http://www.oecd.org/countries/mongolia>.

Laws/Regulations on Foreign Direct Investment (FDI)

In October 2013, parliament passed the Investment Law of Mongolia (IL) to replace the short-lived, FDI-discouraging Strategic Entities Foreign Investment Law (SEFIL), which had made private company business decisions in certain sectors (including mining, banking, and insurance) subject to GOM review. IL specifies more reasonable rights and obligations of investors in Mongolia, provides for a more stable tax environment, establishes the powers and responsibilities of the agency that regulates investment, and provides tax and other incentives to investment. Foreign investors receive the same protections as domestic investors under IL and investor residence determines whether an investor is foreign or domestic rather than nationality. Accordingly, most investments by private foreign individuals residing in Mongolia or firms need only be registered with the General Authority for Registration and Statistics (GARS). U.S. investors arguably also qualify for Mongolian national treatment under the terms of the 1994 U.S.-Mongolia Bilateral Investment Treaty (BIT). For information on the Investment Law of Mongolia: www.investmongolia.gov.mn; and for the BIT: <http://www.state.gov/e/eb/ifa/bit/117402.htm>.

IL offers tax incentives in the form of transferrable tax stabilization certificates which give investors in qualifying projects favorable tax treatment for up to 27 years. Affected taxes may include corporate income tax, customs duties, value-added tax, and mineral resource royalties. The criteria for participation in the tax stabilization program are transparent and include the amount of investment, the sector involved, and the geographic area involved. (For information on tax stabilization certification: www.investmongolia.gov.mn).

Business Registration

All enterprises must register with the GARS at www.burtgel.gov.mn. The registrant obtains form UB 03-II and other required documents from the website and can submit completed documents by email. GARS aims at a two-day turnaround for the review and approval process, but investors report that complex cases can take several weeks to three months. Once approved by GARS, a company must register with the Mongolian General Authority for Customs and Taxation (GACT). Upon hiring its first employees, a company must register with the Social Insurance Agency. GARS reports that notarization is not required for its registration process. (For information on registration of companies: www.burtgel.gov.mn and www.investmongolia.mn.)

Under the IL, the Invest Mongolia Agency (IMA), which reports to the Office of the Prime Minister, assists investors with all aspects of establishing businesses in Mongolia. IMA is also authorized to issue tax stabilization certificates. IMA services are available to all foreigners and domestic investors who plan to invest USD 100,000 or more in a registered business. To contact IMA go to www.investmongolia.com. Investors indicate that these formalized, statutory processes have eased and brought some predictability to the registration and certification processes. The World Bank's 2016 *Ranking on the Ease of Doing Business in Mongolia* documents this and other improvements in Mongolia's business environment over the last year (<http://www.doingbusiness.org/data/exploreeconomies/mongolia/>).

The 2009 Law on Small and Medium-Sized Enterprises (LSME) recognizes four categories of SME: manufacturing, wholesale, retail, and services. Companies qualifying as SMEs under LSME have gross annual revenues of less than USD 750,000 with manufacturing and retail sector SMEs having fewer than 200 employees, wholesale sector SMEs having fewer than 150 employees, and service sector SMEs having fewer than 50 employees. Effective in 2016, an LSME amendment brings micro-enterprises within the law's mandate in the manufacturing sector (fewer than 20 employees and less than USD 125,000 in sales) and service sectors (fewer than ten employees and less than USD 25,000 in sales). All SMEs and micro-enterprises qualify for preferential terms for financial leasing of equipment and soft loans from the Ministry of Industry-administered SME Development Fund and for low interest loans from Mongolian commercial banks. Because the LSME makes no mention of foreign entities, the eligibility of SMEs owned by non-resident foreigners for these benefits is open to question.

Industrial Strategy

The Ministry of Industry (MOI) is responsible for creating and implementing an industrial policy for Mongolia aimed at promoting value-added production in non-agricultural sectors, including but not limited to minerals and metals processing, construction materials production, plastic and chemical production, and hydrocarbon refining. The Ministry of Food and Agriculture is responsible for value-added production in the food production and livestock sectors.

MOI officials describe the ministry's goal as import substitution, to be accomplished by employing state funds, tax preferences for domestic production, and import tariffs for inputs used in producing domestic agricultural products, constructing domestic energy infrastructure, supporting domestic SMEs, and developing domestic technologies. Parliament adopted specific tax and tariff measures in 2015 – including the waiving of both the five percent import tax and the 10 percent value-added tax (VAT) – which foreign and domestic investors alike can apply to IL-qualified investments. However the process for obtaining these tax waivers has not yet been clarified. (For MOFA and MOI policies go to <http://mi.gov.mn/>, and <http://www.mofa.gov.mn/>).

Limits on Foreign Control and Right to Private Ownership and Establishment

Generally, foreign and domestic entities can establish and own all forms of legal businesses and engage in all forms of remunerative activity on an equal footing. Foreign private entities or individuals may not own or sell land but can own and sell all other forms of real property. The 1994 U.S.-Mongolia Bilateral Investment Treaty (BIT) expressly extends to U.S. investors the benefits of national treatment in Mongolia, excepting the banking and real estate sectors. (BIT: <http://www.state.gov/e/eb/ifd/bit/117402.htm>) (For information on the IL see 1.3.)

Although Mongolia imposes no general legal restrictions on foreign project financing or the formation of joint ventures or other business partnerships, the GOM sometimes imposes specific restrictions on an ad hoc, project-by-project basis. Legal experts and U.S. investors allege that the system by which the GOM decides upon and implements such restrictions lacks clear statutory basis and transparent, predictable regulatory procedures. Mandatory GOM equity interests or other explicitly restrictive covenants may be imposed on projects the GOM determines to be of national strategic interest. For example, the 2014 Amended Mining Law of Mongolia requires private entities to allow the GOM to assume equity positions of up to 50 percent in (non-uranium) mining projects at its discretion. Under the Nuclear Energy Law, the GOM is to hold all uranium mining licenses and to control any uranium processing facilities, although private entities may own up to 49 percent of these state-owned enterprises (SOEs).

U.S. and other foreign investors recall that "foreigner bashing" became part and parcel of the 2012 parliamentary election campaign season in Mongolia and led directly to the adoption of the FDI-discouraging SEFIL (See Chapter 1.3.) Although there has been no indication of a SEFIL-like draft coming before parliament in the 2016 campaign season, Speaker Z Enkhbold raised several foreign eyebrows during an April 5 speech inaugurating the spring legislative session when he defended parliamentary obstruction last session of the Tavan Tolgoi coal mega-mine project by alleging that the project might otherwise have been taken over by "foreign companies."

Although the GOM actively seeks to establish an effective public-private partnership (PPP) framework and describes on various websites more than 50 PPPs as theoretically open for FDI, these PPPs are still in the planning stages. The GOM and USG are negotiating a second Millennium Challenge Corporation compact that may include one or more PPPs.

Privatization Program

In late 2015, parliament authorized the dissolution of the State Property Committee (SPC), which had held and operated numerous SOEs in mining, and also the Mongolian Stock Exchange (MSE), the national air carrier MIAT, and the Mongol Post Office. These assets have begun to be auctioned-off. Most notably, 30 percent of the post office was offered to private buyers through an initial public offering on the MSE. However, while stating that it welcomes foreign participation in privatization efforts, the GOM has yet to clarify a tendering process for the privatization of state assets that are not to be sold via the MSE. Most SPC assets have been placed under the stewardship or actual ownership of relevant GOM entities. For example, the Ministry of Finance now owns and operates the MSE, and Erdenes Mongol, the state-owned mining asset holding company, now possesses most of the SPC mining assets, particularly those in the coal sector. Further confusing matters, the GOM has been creating new state-owned SMEs in spite of its commitment to privatizing larger SOEs.

Screening of FDI

Mongolia has no formal system for screening investments as such, although U.S. investors and legal commentators report that processes are sometimes cobbled together by GOM officials of variable authority levels and that these ad hoc processes may include obstructions, ranging widely from the slow-rolling of registrations to unreasonable tax levies and even criminal prosecutions. Mongolia's National Security Council (comprising the president, prime minister and speaker of parliament) has assumed authority to review particular investments at its discretion on national security grounds. Although some U.S. investors and business entities contend that the NSC lacks constitutional or other legal grounds for assuming this authority, no effective appeal was available to them in 2010 when the NSC declared a moratorium on the issuance of mining licenses. That moratorium remained in effect until revoked in 2014 by parliament, the highest organ of state authority per the Mongolian Constitution.

Competition Law

Mongolia's Agency for Fair Competition and Consumer Protection (AFCCP) reviews domestic transactions for competition-related concerns. For a description of the AFCCP and its legal and regulatory powers see http://unctad.org/en/PublicationsLibrary/ditccp2012d2_Mongolia_en.pdf or <http://www.afccp.gov.mn/>.

Conversion and Transfer Policies

Foreign Exchange

The Mongolian government employs a liberal regime for controlling foreign exchange for investment remittances. Foreign and domestic businesses report no problems converting or transferring investment funds, profits and revenues, loan repayments, or lease payments into whatever currency they wish aside from occasional, market-driven shortages of foreign reserves. Mongolia's national currency, the tugrik (MNT), is fully convertible into a wide array of international currencies with its relative value fluctuating freely (mostly falling in recent years against the USD) in response to economic trends. Mongolia's central bank, the Bank of Mongolia (BOM), regularly intervenes in currency markets to limit MNT volatility.

The 2009 Currency Law of Mongolia requires all domestic transactions be conducted in MNT except as expressly excepted by the BOM. BOM regulation prohibits the listing in Mongolia of wholesale or retail prices in any fashion (including as an internal accounting practice) that effectively denominates or otherwise indexes those prices to currencies other than the MNT. Given the nearly 50 percent devaluation of the MNT over the past few years, this BOM edict has adversely impacted businesses that pay for imported goods in USD or other hard currency and sell them in MNT. Businesses caught adjusting MNT prices in exact or nearly exact proportion to currency fluctuations can face stiff penalties up to the full market value of the involved goods.

Remittance Policies

Businesses report no delays in remitting investment returns or receiving in-bound funds. Most transfers are completed within a few days to a week. However, in response to occasional currency shortages, most often of U.S. dollars, commercial banks can temporally limit the amounts they exchange daily,

transmit abroad, or allow to be withdrawn. Remittances sent abroad are subject to a ten percent withholding tax to cover any potential profit, income, or value-added tax liabilities.

Ease of transfer aside, BOM regulation compels lenders to issue written warnings to borrowers seeking dollar-denominated loans to the effect that the steady depreciation of the MNT in recent years has translated to very significant increases in the real costs of servicing dollar loans. Hedging forward mechanisms available elsewhere to mitigate exchange rate risk for many national currencies are generally unavailable in small-market Mongolia. Letters of credit remain difficult to obtain, and the GOM sometimes resorts to paying for goods and services with promissory notes that cannot be directly exchanged into other currencies.

After a 2014 Financial Action Task Force (FATF) warning that Mongolia was at risk of blacklisting or gray listing, parliament and the Financial Intelligence Unit of BOM's Financial Information Service drafted and adopted anti-money laundering and anti-terrorist activity financing (AML/CTF) legislation. However, the GOM has yet to mount a major prosecution under authority of this legislation.

Expropriation and Compensation

Mongolia generally respects property rights, although there have been significant departures from this norm. Investors have expressed concern over GOM direct and indirect expropriations of some property rights. Most such GOM actions have been associated with extractive industries and have involved the cancelation, suspension, or modification of legally-issued mining licenses. The Mongolian constitution recognizes private real property rights and derivative rights, and Mongolian law specifically bars the GOM from expropriating such assets without payment of adequate market-based compensation. Many of the cases alleging GOM failure to fulfill these commitments have involved foreign nationals. Investors have complained about court expropriations after criminal trials in which the investors were compelled to appear as "civil defendants" but were not allowed to fully participate. In one 2013 criminal case, a GOM official was convicted of corruption and sentenced to prison, and the trial court in that case caused 106 mining licenses the convicted official had issued or facilitated to be revoked. Several of these licenses were revoked notwithstanding an absence of evidence their issuance was derived from corruption.

The Mongolian government may exercise eminent domain in the national interest. Mongolian state entities at all levels are authorized to confiscate or modify land use rights for purposes of economic development, national security, historical preservation, or environmental protection. Investors express little disagreement with such takings in principle, but worry that a lack of clear lines of authority among the central, provincial, and municipal levels of government creates redundant occasions for loss of property rights. For example, the 2006 Minerals Law (amended in 2014) provides no clear division of local, regional, and national jurisdictions for issuances of land-use permits and special use rights. Faced with unclear lines of authority and frequent differences in practices and interpretation of rules and regulations by different levels of government, investors can find themselves unable to fully exercise duly conferred property rights. The GOM acknowledges this, but has taken no effective steps to remedy it.

The U.S.-Mongolia Bilateral Investment Treaty (BIT) entered into force in 1997 (BIT: <http://www.state.gov/e/eb/ifd/bit/117402.htm>). Under this BIT, Mongolia and the U.S. have agreed to respect international legal standards for state-facilitated property expropriation and compensation matters involving nationals of either country. The BIT effectively provides an extra measure of protection against financial loss for U.S. nationals doing business in Mongolia. In at least one expropriation case, however, the GOM restored a mining license it had unilaterally modified years previously but declined to pay compensation for undisputed financial loss as required by the BIT and independently required by the domestic law specifically cited in rendering the modification. Under the BIT, such uncompensated expropriation is appealable in arbitration proceedings. However, the cost of arbitration can make it impractical for aggrieved parties, especially after the financial effects of expropriation without compensation.

Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Mongolia has adopted a hybrid Civil Law-Common Law system of jurisprudence. Trial judges may take notice of prior rulings in cases similar to those that come before them but are not obliged to respect legal precedent as such. Mongolian laws, and even their implementing regulations, very commonly lack the specificity needed for consistent interpretation and application. Experienced and dedicated judges make do and deliver at least rough justice in routine matters. However, this statutory and regulatory vagueness invites corruption within the underfinanced and understaffed judicial system, especially in cases where much money is at stake, or where large foreign corporations are in court against domestic government agencies or well-connected private Mongolian citizens.

The General Executive Agency for Court Decisions (GEACD) appears to give low priority to the implementation of court judgments related to commerce, particularly creditor claims. Foreign judgments are in principle enforceable in Mongolia, though the weak enforcement system can be especially problematic for foreign litigants.

Mongolia has in place several specialized administrative courts authorized to adjudicate cases brought by citizens against official administrative acts of GOM agencies. Decisions of these specialized courts are appealable to higher trial courts.

The Mongolian constitution specifies that non-judicial elements of the GOM "shall not interfere with the discharge of judicial duties" by the judicial branch. The Judicial General Council (JGC) is charged with the constitutional duty of ensuring the impartiality of judges and independence of the judiciary and is comprised of many respected jurists. However, the council lacks express authority to investigate allegations of judicial misconduct or to impose disciplinary measures on judges or other judicial sector personnel. (Mongolian law recently required judges to maintain membership in the Mongolian Bar Association (MBA), but judges actively oppose that requirement with the result that the MBA is no better positioned than the JGC to police the judiciary.)

In early 2016, the legislative branch interfered directly with the judicial branch when Mongolia's Constitutional Court ruled that four provisions of a subsidized residential mortgage program were unconstitutional. The program was suspended. Parliament Speaker Z Enkhbold issued a statement that "the Parliament will annul the decision of the Constitutional Court and restore the original law with the

same provisions as before." Parliament thereupon voted in special session to dismiss the presiding justice of the Constitutional Court, paving the way for the re-adoption of the original legislation and the re-establishment of the mortgage subsidy program. Legal experts believe parliament had no authority to dismiss the presiding justice. Even MPs who supported his ouster did so to keep the very popular program in place and readily admit that the speaker had affectively engineered an assault on the court's independence.

Legal experts believe that Mongolian substantive law invites judicial corruption by allowing inconsistent and subjective interpretations, and weak distinctions between the branches of the GOM invite unconstitutional over-reaching. The thinly staffed GEACD is charged with all aspects of implementing the decisions and verdicts of Mongolia's civil and criminal courts. So GEACD is responsible for operating prisons, garnishing wages, impounding moveable property, and much more. But GEACD personnel do not report to the JGC or directly to the courts but to the Ministry of Justice (an element of the executive branch). The GEACD works closely on a functional level with the Office of the Prosecutor General, an independent agency run by presidential appointees. However, its funding is provided by parliament. The strong influence of Mongolian prosecutors on Mongolian courts is well documented. (Mongolian courts, for example, rarely dismiss charges over the objection of the prosecution or otherwise enter defense verdicts even after trial.) As a result of this defuse chain-of-command, the GEACD can function as a conduit of potentially overreaching communications to the judiciary from most any interested corner of the GOM.

Bankruptcy

Mongolian law mandates the registration of mortgages and other debt instruments backed by real estate, immovable collateral (mining and exploration licenses and other use rights), and, by the last quarter of calendar year 2016, movable property (cars, equipment, livestock, receivables, and other items of value). However, even though the law allows for securitizing movable and unmovable assets, local law firms hold that the bankruptcy process itself remains too vague, onerous, and time consuming to make it a practical step towards the winding up of business affairs. Mongolia's constitution and current statute only allow contested foreclosure and bankruptcy through judicial rather than administrative proceedings. Local business and legal advisors report that proceedings usually require no less than 18 months, with 36 months not uncommon. Investors and legal advisors state that an endless appeals process and perceived corruption and government interference can create years of delay. Moreover, while in court, creditors face suspended interest payments and limited access to the asset. Although Mongolia does not criminalize bankruptcy, the World Bank reports that Mongolia has not improved how it resolves insolvency (<http://www.doingbusiness.org/data/exploreeconomies/mongolia/>).

Investment Disputes

There are no hard figures for the number of investment disputes involving foreigners in Mongolia. Fearing to jeopardize future opportunities in Mongolia, some U.S. and other foreign investors only quietly pursue or even abandon particular projects, especially those involving a GOM interest. Investors report that various GOM entities have solicited bribes in order to pre-empt or resolve particular investment disputes with foreign interests.

In cases in which the government is involved in a dispute, investors report government interference in the dispute resolution process, both administrative and judicial. Foreign investors describe three

general categories of disputes that invite such interference. The first category comprises disputes between private parties before a GOM administrative tribunal. In these cases, a Mongolian private party may exploit contacts in government, the judiciary, law enforcement, or prosecutor's office to coerce a foreign private party to accede to some demand. The second category involves disputes between investors and the GOM directly. In these cases, the GOM may claim a sovereign right to intervene in the business venture, often because the GOM itself is operating a competing SOE or because particular officials have undisclosed business interests. The third category involves a Mongolian tax official or prosecutor levying highly inflated tax assessments against a foreign entity and demanding immediate payment, sometimes in concert with imposition of exit bans on particular company executives or even the filing of criminal charges.

International Arbitration

Although investors voice concern that the GOM may choose to ignore international arbitration decisions, the GOM has consistently declared it will honor resulting arbitral awards. In March 2016, the GOM and Canadian uranium mining company Khan Resources tentatively settled on appeal their high profile license-expropriation dispute after an arbitration panel awarded USD 104 million to the Canadians. Money has not yet changed hands (as of May 2016) in litigation that has lasted to date more than four and one-half years.

Mongolian businesses partnered with foreign investors often will accept international arbitration, as do GOM agencies that contract business with foreign investors, rather than avail themselves of the Mongolian Arbitration Bureau operated by the Mongolian National Chamber of Commerce and Industry. Foreign investors tell us that they prefer international arbitration, because they perceive domestic arbitrators as too politicized, too unfamiliar with commercial practices, and too self-interested to render fair decisions.

The U.S.-Mongolia Bilateral Investment Treaty (BIT) entitles both U.S. and Mongolian investors to seek international arbitration in the case of investor-state disputes (BIT: <http://www.state.gov/e/eb/ift/bit/117402.htm>).

ICSID Convention and New York Convention

Mongolia ratified the Washington Convention and has joined the International Centre for Settlement of Investment Disputes (ICSID). It also signed and ratified the New York Convention. To our knowledge, the government of Mongolia has accepted international arbitration in several disputes. However, Mongolia, because it treats treaties and international agreements as self-executing under Mongolian law, has passed no specific domestic legislation providing for enforcement under the 1958 New York Convention and for the enforcement of awards under the ICSID Convention.

Duration of Dispute Resolution

It is hard to say how long it "typically" takes to resolve an investment dispute in Mongolia. Some cases have been settled within a week through quiet discussion among the parties, while others, particularly in the mining sector, have yet to be settled after six years. For disputes arising through loan default or bankruptcy, waits of up to 36 months for final liquidations and settlement of security are not uncommon.

Although arbitration is widely accepted among business people and elements of the government, support for binding international arbitration has not penetrated local Mongolian agencies responsible for executing judgments. Investors routinely report that the most common problem preventing resolution of debt-driven disputes is that the GEACD often resists executing collection orders and court-ordered foreclosures.

Performance Requirements and Investment Incentives

WTO/TRIMS

There have been no documented reports or claims that Mongolia employs measures inconsistent with World Trade Organization Trade Related Investment Measures (TRIMS) requirements; nor has the GOM notified the WTO of any measures inconsistent with the requirements of Mongolia's TRIMs obligations.

Investment Incentives

The GOM generally offers the same tax preferences to both foreign and domestic investors. The GOM occasionally grants tax exemptions for imports of essential fuel and food products; or for imports in certain sectors targeted for growth, such as the agriculture or energy sectors. Such exemptions can apply to both import duties and Mongolia's value-added tax (VAT). In addition, the GOM occasionally extends a ten percent tax credit on a case-by-case basis to investments in such key sectors as mining, agriculture, and infrastructure. Under the IL, foreign-invested companies properly registered and paying taxes in Mongolia are considered domestic Mongolian entities, thus qualifying for investment incentive packages that, among other incentives, include tax stabilization for a period of years. (For details on the IL see Chapter 1.) In 2014 parliament authorized the BOM to waive 7.5 percent of the ten percent royalty payments that gold miners must pay when selling gold to the BOM and Mongolian commercial banks through 2017. Qualifying transactions must be conducted in MNT.

Research and Development

The Government of Mongolia has limited budgets for research activities, and is quite open to foreign participation, especially in the mining, construction, and agricultural sectors. The 2015 Manufacturing Law of Mongolia allows for up to 75 percent reimbursement of research costs for technologies that lead to domestic manufacturing and import substitution.

Performance Requirements

Foreign investors currently need not use local goods, services, or equity; or engage in substitution of imports. The government applies the same geographical restrictions to both foreign and domestic investors. Existing restrictions involve border security, environmental concerns, or local use rights. There are no onerous or discriminatory visas, residence, or work permits requirements imposed on U.S. investors. Neither foreign nor domestic businesses need purchase from local sources or export a certain percentage of output; or require foreign exchange to cover their exports.

The GOM strongly encourages but does not compel domestic sourcing and material inputs in Mongolia, especially for firms engaged in natural resource extraction. The 2014 Amendments to the 2006 Minerals Law of Mongolia state that holders of exploration and mining licenses should preferentially supply extracted minerals to Mongolian processing facilities and should procure goods and services and hire

subcontractors from business entities registered in Mongolia. Although there are no formal enforcement procedures to ensure local sourcing – because there is no absolute legal requirement to source locally – investors occasionally report that central, provincial, or municipal governments slow down permitting and licensing until domestic and foreign enterprises make some effort to source locally. With regard to labor, the GOM's encouraging of the hiring of Mongolian employees becomes essentially a legal requirement when combined with GOM requirements that individual employers seeking work visas for foreign employees MUST demonstrate that their workforces comprise the same percentages of domestic hires that are suggested in Mongolia's procurement law. (A long-pending draft labor law, if adopted, would clarify the extent to which these target percentages are mandatory.)

Pressure to source locally notwithstanding, foreign investors generally set their own export and production targets without concern for government imposed targets or requirements. There is no requirement to transfer technology. The government generally imposes no offset requirements for major procurements. Certain tenders and projects on strategic mineral deposits may require specific levels of local employment, procurement, or commitments to fund certain facilities or training opportunities as a condition of the tender or project; but such conditions are not the norm. Investors, not the Mongolian government, make arrangements regarding technology, intellectual property, and similar resources and may generally finance as they see fit. Except for a currently unenforced provision of the amended Minerals Law of Mongolia requiring mining companies to list ten percent of the shares of the Mongolian mining company on the Mongolian Stock Exchange, foreign-invested businesses currently need sell no shares to Mongolian nationals. Equity stakes are generally at the complete discretion of investors, Mongolian or foreign.

The GOM sometimes restricts the sort of financing that foreign investors may obtain and with whom investors might partner or to whom they might sell shares or equity stakes. These restrictive covenants will most likely be imposed in certain sectors where the investment is determined to have national impact or national security concerns, i.e., the mining sector. Investors and local legal experts note that the system by which the GOM regulates these transactions lacks a clear statutory basis and transparent, predictable regulatory procedures.

Investors can locate and hire workers without using hiring agencies as long as hiring practices follow Mongolian Law on Labor law. Mongolian law requires companies to employ Mongolian workers in certain labor categories whenever a Mongolian can perform the task as well as a foreigner. This law generally applies to unskilled labor categories and not areas in which a high degree of technical expertise not existing in Mongolia is required.

Data Storage

The GOM has no forced localization policy for data storage; no legal requirements for IT providers to turn over source code or to provide access for surveillance; and no rules or mechanisms for maintaining a certain amount of data storage at facilities within the territory of Mongolia.

Right to Private Ownership and Establishment

Real Property

The Mongolian Constitution provides that "the State shall recognize any forms of public and private properties." The Constitution limits the right to privately own land to citizens of Mongolia, though that

limitation does not apply to "subsoil," a term that is not expressly defined in the Constitution. Although no formal law exists vesting Mongolia's pastoral nomadic herders with exclusive rights of pasturage and control of water and land rights as such, rural municipalities administering these resources unofficially recognize that traditional, customary access to these resources by pastoralists must be taken into account before, during, and after other non-resident users, particularly but not exclusively those in the mining sector, exercise their use and ownership rights. That aside, one can sell, transfer, or securitize structures, shares, use-rights, companies, and movable property, subject to relevant legislation and related regulation controlling such activities. Mongolian law does allow creditors to recover debts by seizing and disposing of property offered as collateral.

Mongolian law protects creditors but that protection is unevenly applied, and as noted in Chapter 4, some judges, whether out of ignorance or partiality for Mongolian disputants over foreigners, fail to strictly uphold these protections. The legal system also requires judicial foreclosure for any contested foreclosure action. Because all contested foreclosure actions require court review and are subject to appeals up to the Supreme Court of Mongolia, final resolution can take up to 36 months. In addition, creditors report inconsistent enforcement of court orders. Foreign and domestic investors routinely claim that the GEACD regularly fails to execute its responsibilities. In addition, nascent systems for determining title and liens and for collecting on debts make lending on local collateral risky. Although a system exists to register immovable property – structures and real estate – for the purpose of confirming ownership, it does not record existing liens. Consequently, creditors risk lending on collateral that debtors may not actually own or which may have already been offered as security for other debts.

Intellectual Property Rights

Mongolia supports intellectual property rights (IPR) in general. A member of the World Intellectual Property Organization (WIPO), Mongolia has signed and ratified most relevant treaties and conventions, including the World Trade Organization Agreement on Trade Related Aspects of Intellectual Property Rights (WTO TRIPS). Mongolia's parliament has yet to ratify the WIPO internet treaties. (WIPO: <http://www.wipo.int/directory/en/>). Despite this, the Mongolian government and its intellectual property rights enforcer, the Intellectual Property Office of Mongolia (IPOM: <http://www.ipom.mn/>), make a good faith effort to comply with these agreements.

Under TRIPS and Mongolian law, the Mongolian Customs Authority (MCA) and the Economic Crimes Unit of the National Police (ECU) also have an obligation to protect IPR. MCA can seize shipments at the border. The ECU has the exclusive power to conduct criminal investigations and bring criminal charges against IPR pirates. The IPOM has the administrative authority to investigate and seize pirated goods administratively. Of these agencies, the IPOM makes the most consistent efforts to fulfill Mongolia's treaty commitments. The IPOM generally has an excellent record of protecting U.S. trademarks and copyrights; however, tight resources limit the IPOM's ability to act. In most cases, when a rights holder files a complaint, the IPOM quickly investigates. If it judges that an abuse has occurred, it will (and has in every case so far) seize the pirated products, under administrative powers granted under Mongolian law.

We note two areas where enforcement lags. Legitimate software products remain rare in Mongolia, with the IPOM estimating that 95 percent of the market uses pirated software. The IPOM enforces the law where it can but the scale of the problem dwarfs its capacity to deal with it. Pirated optical media are also readily available and subject to spotty anti-piracy enforcement. The growth of online

downloads of pirated digital media by individuals, local Mongolian TV stations, radio broadcasters playing pirated music, and cellular service providers offering pirated ringtones has eclipsed local production and imports of fake CDs, videos, and DVDs. The IPOM acknowledges that most local public and privately held TV stations, some 184 at latest count, regularly broadcast pirated materials; however, the IPOM hesitates to move on these broadcasters, most of which are connected to major government or political figures. The IPOM will act on specific complaints, but will rarely initiate action. For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en>.

U.S. IPR rights holders affected by Mongolian piracy may also reach out to the American Chamber of Commerce Mongolia (AmCham Mongolia). AmCham Mongolia has established an Intellectual Property Rights Committee to advocate for policy reforms and improved enforcement from IPOM and other relevant GOM agencies. For more information go to: <http://amcham.mn/>.

There is no information suggesting that the production and/or sale of counterfeit goods in Mongolia presents a higher risk of labor rights violations, including child labor, forced labor, and dangerous working conditions.

Resources for Rights Holders

Contact at the U.S. Embassy in Ulaanbaatar: <http://mongolia.usembassy.gov/>; Economic and Commercial Section; +976-7007-6001; Ulaanbaatar-Econ-Comm@state.gov. For additional resources on protecting IPR in Mongolia, reach out to the American Chamber of Commerce in Mongolia at <http://amcham.mn/>. The U.S. Embassy also provides a list of attorneys at http://mongolia.usembassy.gov/lawyer_list.html.

Transparency of the Regulatory System

In 2011 parliament passed the Law on Information Transparency and the Right to Information (LIT). LIT sets out which government, legislative, and non-governmental organizations must provide information to the public – both in terms of what information entities should disseminate and how these respective organizations should respond to requests for information by citizens and legal entities residing in Mongolia. The LIT requires that state policies, some legislative acts, and administrative decisions be posted on the appropriate government websites for no less than 30 days for comment and review prior to enactment. In addition, government entities must post public hiring processes, concessions, procurement, and budget and finance information. The LIT specifically exempts the armed services, border protection, and intelligence organizations from its provisions. Ongoing citizen complaints and petitions are not subject to the LIT's provisions; nor does the law apply to intellectual property information, proprietary business information, or personal information. To implement the LIT, the cabinet requires ministries to post proposed regulatory changes on ministerial websites for comment and review at least 30 days before approval. Neither the LIT nor the cabinet has set a standard process for collecting and acting on public comment and review.

In addition to the LIT, the Law on Making Laws (LML) requires (or requests in the case of parliament) those drafting and submitting laws to parliament – termed lawmakers in the LML – to subject their legislative acts to comment and review. Specifically, the president and the ministries must submit legislation for review and comment. Parliament may solicit comment and review but is not required to

do so. The LML does not specify who is to be consulted; how they are to be consulted; when or where; and what is to be done with these critiques of legislation.

Most ministerial initiatives go unpublished until the draft passes out of a given ministry to the full cabinet. Typically, the full cabinet discusses and passes bills on to parliament, without public input or consultation. Parliament itself neither issues a formal calendar nor routinely announces or opens its standing committees or full chamber hearings to the public. While parliament at the beginning of each session announces a list of bills to be considered during the session, this list is very general and often amended. New legislation is commonly introduced, discussed, and passed without public announcement or consideration, often rather hastily.

Mongolian publically listed companies adhere to the International Financial Reporting Standards (IFRS). As with statutory requirements for transparent law making, regulations for accounting, legal, and regulatory procedures also require transparent processes for consistent implementation, and are sometimes but not always consistent with international norms and best practices. The business community and legal experts have criticized legal, regulatory, and accounting practices that are non-transparent, vague or poorly worded in Mongolian and English translations, and inconsistently enforced. Domestic and foreign investors claim these domestic practices are largely aimed at extracting revenue for both the government and individuals, and occasionally to injure a company that may be competing against a state-owned or influential private entity. Consequently, investors conclude that currently the Mongolian government does not use transparent laws and regulations to create a level playing field for either foreign or domestic competitors.

The GOM consults with NGOs and industry associations on laws and regulations affecting the business environment. For the most part, Mongolia's industry and business organizations are quite open to foreign membership and participation in group activities. However, while foreign investors are often invited by government agencies, NGOs, and industry associations to consult on an ad hoc basis on proposed laws and regulations affecting investments, they are generally strongly encouraged by their organizations to avoid public roles in such consultations. While this approach may avoid some of the controversies attending public comment by foreign investors, it also makes delivery of their advice less transparent and effectively unofficial, allowing the advice to be ignored by Mongolian officials, NGOs and industry associations.

In September 2013, the United States and Mongolia signed an Agreement on Transparency in Matters Related to International Trade and Investment (TA). The agreement marks an important step in developing and broadening the economic relationship between Mongolia and the United States. The goal of the TA is to make it easier for American and Mongolian firms to do business by guaranteeing transparency in the formation of trade-related laws and regulations, the conduct of fair administrative proceedings, and measures to address bribery and corruption. In addition, it provides for commercial laws and regulations to be published in English, making it easier for all international investors to operate in Mongolia. Although parliament ratified the TA in December 2014, the TA has not yet entered into force as Mongolia still needs to bring certain laws into compliance with the terms of the TA. The U.S. Embassy in Ulaanbaatar, USTR, and the GOM continue to work toward finalization and implementation of the Transparency Agreement.

Efficient Capital Markets and Portfolio Investment

Mongolia is developing the experience and expertise needed to sustain portfolio investments and active capital markets. In 2013 parliament passed the Revised Securities Market Law (RSML), which most investors believe creates a sufficient regulatory apparatus for these activities. The GOM imposes few restrictions on the flow of capital in any of its markets. Multilateral institutions, particularly the International Monetary Fund (IMF), have found the regime too loose, especially in the banking sector.

Money and Banking System, Hostile Takeovers

Despite the weakened economy and corresponding rise in non-performing loans from 5.5 percent in February 2015 to 7.8 percent as of February 2016, the International Monetary Fund and the International Finance Corporation consider the Mongolian banking sector relatively healthy, noting the improvements in banks' corporate governance. Moreover, the BOM, Mongolia's central bank, has begun imposing more stringent capital standards on banks. As of January 2016, Mongolia's 14 banks (13 commercial banks and one state-owned bank) had combined assets of about USD 10.3 billion. For more details on the banking sector, go to the Bank of Mongolia at <http://www.mongolbank.mn/eng/default.aspx>.

Mongolia has four generally well-regarded banks owned by both Mongolian and foreign interests. These four banks – Golomt, Khas, Trade and Development Bank, and Khan Bank – collectively hold approximately 80 percent of all banking assets. They generally follow international standards for prudent capital reserve requirements, have conservative lending policies, up-to-date banking technology, seem generally well-managed, and are open to foreigners opening bank accounts under the same terms as Mongolian nationals. In addition, foreign investors, including the International Finance Corporation and Goldman Sachs, have sizable equity stakes in several banks.

In 2015, to consolidate weaker, less capitalized banks into larger, better funded institutions, the BOM ordered all commercial banks to increase their minimum paid-in-capital from the current minimum of USD eight million to USD 25 million by December 2017. While the BOM and Mongolia's financial system have endured insolvencies over time, it is notable that each failed bank had shown clear signs of distress before the BOM moved to safeguard depositors and the banking system. As with many issues in Mongolia, the problem is not lack of laws or procedures for dealing with troubled banks, but rather, some lack of capacity and an apparent reluctance on the part of BOM banking overseers to aggressively enforce regulations related to capital reserve requirements, bank management and corporate governance, and non-performing loans.

Competition from State-Owned Enterprises

Mongolia has SOEs in banking and finance, energy production, mining, and transport. Investors have been allowed to conduct activities in these sectors, although in some cases an opaque regulatory framework limits both competition and investor penetration. Indeed, both foreign and domestic private investors believe that the current GOM approach to regulating SOEs favors Mongolian SOEs over private enterprises and foreign SOEs. Although many private companies have been created or registered in Mongolia in recent years, including foreign private companies, so too has the GOM created many dozen SOEs, particularly small and medium-sized SOEs, over the same period.

In 2010, Mongolia passed and implemented the Law of Mongolia on Competition applying to private enterprises and SOEs active in Mongolia. Prior to passage of this law, competition between state-owned

and private businesses had been declining for the simple reason that many parastatals had been privatized. Currently, firms from Mongolia, China, Japan, Europe, Canada, and the United States have sought opportunities for renewable and traditional power generation, a sector still under state control in Mongolia. However, few want to invest in the power generation field until the regulatory and statutory framework for private power generation firms up and tariffs reflect commercial best practices and true cost recovery.

Mongolia has no plans to privatize its existing railroad jointly held with the government of Russia, but current law does allow private firms to build, operate, and transfer new railroads to the state.

The 2006 Minerals Law of Mongolia (amended in 2014) and the 2009 Nuclear Energy Law keep the state in the mining business. Under both laws, the GOM grants itself the right to acquire equity stakes ranging from 34 percent up to 100 percent of certain uranium and rare earth deposits deemed strategic for the nation. Once acquired, these assets are vested with two state-owned holding companies: Erdenes MGL, for non-uranium mining assets, and MonAtom, for uranium resources. Mongolia requires these companies to use proceeds from their activities to “benefit the Mongolian people.”

The role of the state as an equity owner in management of revenues and operation of mines remains unclear. Investors question the GOM’s capacity to deal with conflicts of interest arising from its position as both regulator and owner-operator. Specifically, they worry that the GOM’s desire to maximize local procurement, employment, and revenues may compromise the long-term commercial viability of mining projects. Investors also question the GOM’s capacity to execute its fiduciary responsibilities as both owner and operator of mines. Observers are also concerned that the GOM waives legal and regulatory requirements for state-owned mining companies that it imposes on all others. Generally, approval for relevant environmental and operating permits for private coal mines in Mongolia takes at least two years. However, there are indications that the GOM has exempted Erdenes Tavan Tolgoi (ETT) mining operations from regulatory requirements imposed on other operations. Preferential treatment for SOEs creates the appearance that the GOM has one standard for its SOEs and another for foreign-invested and private domestic invested companies; and also provides SOEs with substantial cost advantages via a more lenient interpretation or outright waiver of legal requirements.

Mongolian SOEs will source from foreign firms only when inputs are not available locally or cannot be produced competitively in Mongolia. SOEs and private enterprises are under political pressure to source locally as much as possible; and often resort to creating local Mongolian shell companies to act as a domestic storefront for foreign-sourced goods. This unofficial requirement adds inefficiency and cost to serving the Mongolian market. Finally, Mongolia is not yet a party to the World Trade Organization Procurement Agreement, although it has expressed a desire to join.

OECD Guidelines on Corporate Governance of SOEs

SOEs are technically required to submit to the same international best practices on disclosure, accounting, and reporting as imposed on private companies. When SOEs seek international investment and financing, they tend to follow these rules. Many international best practices are not institutionalized in Mongolian law, and SOEs tend to follow existing Mongolian rules. At the same time, foreign-invested firms follow the international rules, causing inconsistencies in corporate governance, management, disclosure, and accounting.

The SOE corporate governance structure is clear on paper. There is an independent management answering to an independent board of directors, who now, with the dissolution of the State Property Committee (SPC), report to a line minister, and ultimately to the prime minister and parliament. In reality, government officials tell us that management and board of director operations and appointments are subject to political interference to an almost crippling extent. Some of the professional managers of these SOEs have expressed hope that 2015 amendments to the Law on the Human Development Fund formally allowing independent, professional management of SOEs will curtail such interference. This will require GOM officials and politicians to avoid interference. In support of this effort to professionalize operations and management at Mongolia's SOEs, the Asian Development Bank is funding a USD 35 million corporate governance strengthening project for Erdenes Mongol, an SOE holding key copper and coal mining assets.

Bottom line: Mongolian SOEs do not adhere to OECD Corporate Governance Guidelines for SOEs: www.oecd.org/daf/ca/oecdguidelinesoncorporategovernanceofstate-ownedenterprises.htm.

Sovereign Wealth Funds

In 2008, parliament established the Human Development Fund (HDF), ostensibly Mongolia's first sovereign wealth fund. However, it does not currently function as a sovereign wealth fund. The stated purpose of the fund was to fulfill campaign promises to provide every citizen with cash payments in excess of USD 1,000 so that the public could benefit from Mongolia's mineral wealth. The HDF is to be funded from the profits, taxes, and royalties generated by the mining industry as a whole, including large, medium and small-scale projects. The HDF basically serves as an instrument to distribute mining revenues to the citizens of Mongolia in the form of social benefits: payments for pension and health insurance premiums; mortgage support and other loan guarantees; and payments for health and education services. The GOM has no plans to use the HDF as a conduit for Mongolian investments abroad or for FDI into Mongolia. In that sense, we find no conflict between the HDF and private sector investment.

Corporate Social Responsibility

Responsible business conduct (RBC) is still in its infancy in Mongolia. Most reputable international companies make good faith efforts to work with local communities. The larger such firms tend to follow accepted international RBC practices and underwrite a full range of RBC activities across Mongolia; however, the smaller ones, lacking sufficient resources, often limit their RBC actions to the locales in which they work. A few large Mongolian firms regularly undertake RBC actions, with small- to medium-sized enterprises generally (but not always) hindered by limited resources. Generally, firms that pursue RBC are perceived favorably, at least within the communities in which they operate. Nationally, responses range from praise from politicians to cynical condemnation by certain civil society groups of RBC as nothing more than an attempt to buy public approval. Awareness of RBC amongst the public remains low, with only a few NGOs involved in RBC promotion or monitoring, and those concentrated on large projects such as Oyu Tolgoi. Such groups operate freely. (For RBC in Mongolia refer to USAID sponsored Business Plus Initiative's web site: <http://www.bpi.mn/>. For information on the U.S. government approach to RBC-related issues see U.S. Government Approach on Business and Human Rights: <http://www.humanrights.gov/2013/05/01/u-s-government-approach-on-business-and-human-rights/>).

Mongolia has no statutory requirement for RBC covering all companies active in Mongolia. However,

the 2014 Amendments to the 2006 Minerals Law require minerals exploration and mining companies to develop local development plans with the soum (county) in which they operate. Ministry of Mining officials explain that the GOM will eventually codify and standardize how companies should work with soums on local development issues. The Ministry of Mining has presented a model agreement laying out specific, mandatory obligations that companies and municipalities would assume toward one another and the specific projects that companies would be able to undertake in the municipalities in which they operate.

OECD Guidelines for Multinational Enterprises

GOM encourages companies to adopt RBC practices, echoing admonitions of local NGOs and international institutions. However, these exhortations are not based upon OECD principles set forth in the Guidelines for Multinational Enterprises or the United Nations Guiding Principles on Business and Human Rights (OECD: <http://mneguidelines.oecd.org/ncps/>; UN Principles: http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf).

Mongolia has been compliant with the Extractive Industries Transparency Initiative (EITI) since 2010.

Political Violence

Mongolia is both peaceful and stable; political violence is rare. Mongolia has held 11 successful presidential and parliamentary elections in the past 20 years, though a brief but violent outbreak of civil unrest followed the disputed parliamentary elections in July 2008. During that unrest, five people were killed and a political party's headquarters was burned. The violence was quickly contained and order restored, and no repeat of that level of civil unrest has occurred since. Indeed, Mongolia held peaceful presidential elections less than a year later in May 2009, in which the incumbent president was defeated and conceded the next day; power smoothly transitioned to the winner. Mongolia will hold its next parliamentary elections on June 29, 2016; presidential elections are next scheduled for June 2017.

A more resource-nationalist tone in politics has become evident in recent years. Media and observer reports suggest a rising anti-foreigner sentiment among a few elements of the public, mostly based on the desire to have Mongolian resources developed in an environmentally sound, culturally sensitive way by Mongolians for the benefit of Mongolians. However, this nationalist sentiment has not led to any known incidents of anti-Americanism or politically motivated damage to American projects or installations since Mongolia established relations with the United States in 1987. However, some commentators over the last three years have described a rising level of hostility to Chinese, Vietnamese, and South and North Korean nationals in Mongolia. This hostility has led to some instances of improper seizure of Chinese and Korean property, and in even more limited cases to acts of physical violence against the persons and property of Chinese, and to a lesser extent Korean and Vietnamese, nationals resident in Mongolia.

Corruption

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official in international business, for example to secure a contract, should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which generally makes it unlawful for U.S. persons and businesses (domestic concerns), and U.S. and foreign public companies listed on stock exchanges in the United States or which must file periodic reports with the Securities and Exchange Commission (issuers), to offer, promise or make a corrupt payment or anything of value to foreign officials to obtain or retain business. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. In addition to the anti-bribery provisions, the FCPA contains accounting provisions applicable to public companies. The accounting provisions require issuers to make and keep accurate books and records and to devise and maintain an adequate system of internal accounting controls. The accounting provisions also prohibit individuals and businesses from knowingly falsifying books or records or knowingly circumventing or failing to implement a system of internal controls. In order to provide more information and guidance on the statute, the Department of Justice and the Securities and Exchange Commission published *A Resource Guide to the U.S. Foreign Corrupt Practices Act*, available in PDF at:

<http://www.justice.gov/criminal/fraud/fcpa/guidance/>. For more detailed information on the FCPA generally, see the Department of Justice FCPA website at: <http://www.justice.gov/criminal/fraud/fcpa/>.

Other Instruments: It is U.S. Government policy to promote good governance, including host countries' implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions negotiated under the auspices of the OECD (Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. Mongolia is party to the United Nations Convention Against Corruption (UNCAC), but not the Convention on Combatting Bribery of Foreign Public Officials in International Business Transactions (the Anti-Bribery Convention). (UNCAC: www.unodc.org/unodc/en/treaties/CAC/signatories.html; Anti-Bribery Convention: www.oecd.org/daf/anti-bribery/countryreports/implementationoftheoecdanti-briberyconvention.htm)

OECD Antibribery Convention: The Antibribery Convention entered into force in February 1999. As of January 2016, there are 41 parties to the Convention, including the United States (see <http://www.oecd.org/corruption/oecdantibriberyconvention.htm>). Major exporters China and India are not parties, although the U.S. Government strongly endorses their eventual accession to the Antibribery

Convention. The Antibribery Convention obligates the Parties to criminalize bribery of foreign public officials in international business transactions, which the United States has done under U.S. FCPA. Mongolia is not party to the OECD Antibribery convention.

UN Convention: The UN Convention entered into force on December 14, 2005, and there are 178 parties to it as of January 2016 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption, from basic forms of corruption such as bribery and solicitation, embezzlement, and trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. Mongolia is part to the UNCAC.

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of January 2016, the OAS Convention has 34 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>) and the follow-up mechanism created in 2001 (MESICIC) has 31 members (see http://www.oas.org/juridico/english/mesicic_intro_en.htm). Mongolia is not party to the OAS Convention.

Council of Europe Criminal Law and Civil Law Conventions on Corruption: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention on Corruption, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and accounting offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on whistleblower protection, compensation for damage relating to corrupt acts, and nullification of a contract providing for or influenced by corruption, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). See http://www.coe.int/t/dghl/monitoring/greco/general/about_en.asp. As of January 2016, the Criminal Law Convention has 44 parties and the Civil Law Convention has 35 (see <http://conventions.coe.int/Treaty/Commun/QueVoulezVous.asp?CL=ENG&NT=173;> <http://conventions.coe.int/Treaty/Commun/QueVoulezVous.asp?CL=ENG&NT=174>). Mongolia is not party to the CoE Conventions on Corruption.

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>. Mongolia does not have an FTA with the United States.

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department's U.S. and Foreign Commercial Service can provide assistance with navigating the host country's legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company's overarching compliance program when choosing business partners or agents overseas. The U.S. and Foreign Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its website at www.trade.gov/cs.

The United States provides commercial advocacy on behalf of exporters of U.S. goods and services bidding on public sector contracts with foreign governments and government agencies. An applicant for advocacy must complete a questionnaire concerning its background, the relevant contract, and the requested U.S. Government assistance. The applicant must also certify that it is in compliance with applicable U.S. law, that it and its affiliates have not and will not engage in bribery of foreign public officials in connection with the foreign project, and that it and its affiliates maintain and enforce a policy that prohibits bribery of foreign public officials. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel, and reported through the Department of Commerce Trade Compliance Center "Report a Trade Barrier" Website at tcc.export.gov/Report_a_Barrier/index.asp. Potential violations of the FCPA can be reported to the Department of Justice via email to FCPA.Fraud@usdoj.gov.

Guidance on the U.S. FCPA: The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals and issuers to request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding actual, prospective business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at www.justice.gov/criminal/fraud/fcpa and general information is contained in Chapter 9 of the publication *A Resource Guide to the U.S. Foreign Corrupt Practices Act*, at <http://www.justice.gov/criminal/fraud/fcpa/guidance/>. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general information to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the General Counsel, U.S. Department of Commerce, website, at <http://www.commerce.gov/os/ogc/transparency-and-anti-bribery-initiatives>. More general information on the FCPA is available at the websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Report on Mongolian Corruption

Multiple reviews of corruption in Mongolia have found that opportunities for corruption have increased at both the "petty" or administrative and "grand" or elite levels. Both types of corruption should concern Mongolians and investors alike, but grand corruption should be considered the more serious threat because it solidifies linkages between economic and political power that could negatively affect

or ultimately derail or delay democracy and development. (See The Asia Foundation surveys on corruption in Mongolia: <http://asiafoundation.org/news/2015/06/the-asia-foundation-releases-findings-of-annual-survey-on-perceptions-and-knowledge-of-corruption-speak>; or the U.S. Embassy's 2014 Mongolian Human Rights Reports (MHRR) at <http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm#wrapper>).

Current Anti-Corruption Law

In 2006 parliament passed the Anti-Corruption Law (ACL), a significant milestone in Mongolia's efforts against corruption. The U.S. Department of State's 2015 Mongolia Human Rights Report (MHRR) reports that ACL sets criminal penalties for official corruption but that the GOM does not always implement the law effectively, and corruption has continued at all levels of government. Some officials engage in corrupt practices with impunity. Factors contributing to corruption include conflicts of interest, lack of transparency, lack of access to information, an inadequate civil service system, and weak government control of key institutions. The lack of a conflict of interest law is particularly troubling as virtually every GOM official and member of parliament (and family members) has one or several significant business interests in whose favor they vote with impunity.

The law proscribes the soliciting and the acceptance of bribes by government officials and provides for fines and imprisonment of up to five years. The law also criminalizes the offering of bribes to officials. NGOs previously alleged that the threat of prosecution of both individuals offering bribes and officials involved gave neither guilty party motivation to report the episodes after the fact and so resulted in significant underreporting. After the government began granting limited immunity for those paying smaller bribes, NGOs reported that the reporting of bribes increased. Members of parliament are immune from prosecution during their tenure, and this immunity can preclude litigation of allegations of corruption. (MHRR: <http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm#section4>)

The Independent Authority Against Corruption (IAAC) is the principal agency responsible for investigating corruption cases, although the Organized Crime Department of the National Police Agency also investigates corruption cases and often assists in IAAC investigations. The IAAC is responsible for investigating complaints against police, prosecutors, and judges. Although questions about the IAAC's political impartiality persist (the President appoints the Head of the IAAC), the public views the agency as increasingly effective. In response to complaints that it was not making the results of its investigations and subsequent court proceedings public, the IAAC holds periodic press conferences. In addition, the IAAC increased its public awareness and prevention efforts through activities such as distributing educational materials for children and conducting outreach trips to the provinces.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Mongolia is a State Party to the United Nations Convention Against Corruption (UNCAC), but not the Convention on Combatting Bribery of Foreign Public Officials in International Business Transactions (the Anti-Bribery Convention). (UNCAC: www.unodc.org/unodc/en/treaties/CAC/signatories.html; Anti-Bribery Convention: www.oecd.org/daf/anti-bribery/countryreportsonteimplementationoftheoecdanti-briberyconvention.htm)

Resources to Report Corruption in Mongolia

Contact at Independent Agency Against Corruption (IAAC)

ADDRESS

District 5, Seoul Street 41
Ulaanbaatar, Mongolia 14250

TELEPHONE NUMBER

Telephone: +976-70110251; 976-11-311919

Fax: +976-7011-2458

EMAIL ADDRESS: contact@iaac.mn

Contact at Transparency International Mongolia

NAME: Tur-Od Lkhagvajav, Chairman of the Mongolian National Chapter

ADDRESS

Zorig Foundation, 2nd floor
Peace Avenue 17,
Sukhbaataar District,
Ulaanbaatar, Mongolia

TELEPHONE NUMBER

Telephone: +976 9919 1007; +976 9511 4777; +976 95599714

Fax: +976 7015 4250

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including *A Resource Guide to the U.S. Foreign Corrupt Practices Act*, translations of the statute into numerous languages, documents from FCPA related prosecutions and resolutions, and press releases are available at the U.S. Department of Justice's Website at: <http://www.justice.gov/criminal/fraud/fcpa> and <http://www.justice.gov/criminal/fraud/fcpa/guidance/>
- The U.S. Securities and Exchange Commission FCPA Unit has FCPA website-- <https://www.sec.gov/spotlight/fcpa.shtml>—that provides general information about the FCPA, links to all SEC enforcement actions involving the FCPA, and contains other useful information.
- General information about anticorruption and transparency initiatives, relevant conventions and the FCPA, is available at the Department of Commerce Office of the General Counsel website: <http://www.commerce.gov/os/ogc/transparency-and-anti-bribery-initiatives>
- The Trade Compliance Center website with anti-bribery resources, at <http://tcc.export.gov/Bribery>. This website contains an online form through which U.S. companies can report allegations of foreign bribery by foreign competitors in international business transactions

- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at <http://www.state.gov/g/drl/rls/hrrpt/>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: <http://www.oecd.org/corruption/oecdantibriberyconvention.htm> See also Antibribery Recommendation <http://www.oecd.org/daf/anti-bribery/oecdantibriberyrecommendation2009.htm> and Good Practice Guidance Annex for companies: <http://www.oecd.org/daf/anti-bribery/44884389.pdf>.
- GRECO monitoring reports can be found at: http://www.coe.int/t/dghl/monitoring/greco/evaluations/index_en.asp
- MESICIC monitoring reports can be found at: http://www.oas.org/juridico/english/mesicic_intro_en.htm
- The Asia Pacific Economic Cooperation (APEC) Leaders have also recognized the problem of corruption and APEC Member Economies have developed anticorruption and ethics resources in several working groups, including the Small and Medium Enterprises Working Group, at <http://businessethics.apec.org/>, and the APEC Anti-Corruption and Transparency Working Group, at <http://www.apec.org/Groups/SOM-Steering-Committee-on-Economic-and-Technical-Cooperation/Working-Groups/Anti-Corruption-and-Transparency.aspx>. For more information on APEC generally, <http://www.apec.org/>.

There are many other publicly available anticorruption resources which may be useful, some of which are listed below without prejudice to other sources of information that have not been included. (The listing of resources below does not necessarily constitute U.S. Government endorsement of their findings.)

- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in approximately 180 countries and territories around the world. The CPI is available at: <http://www.transparency.org/research/cpi/overview>. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents, and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/research/gcr>.
- The World Bank Institute's Worldwide Governance Indicators (WGI) project reports aggregate and individual governance indicators for 215 economies over the period 1996-2014, for six dimensions of governance (Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption). See <http://info.worldbank.org/governance/wgi/index.aspx#home>. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://data.worldbank.org/data-catalog/BEEPS>. See also the World Bank Group *Doing Business*

reports, a series of annual reports measuring regulations affecting business activity, available at: <http://www.doingbusiness.org/>

- The World Economic Forum publishes every two years the *Global Enabling Trade Report*, which assesses the quality of institutions, policies and services facilitating the free flow of goods over borders and to their destinations. At the core of the report, the Enabling Trade Index benchmarks the performance of 138 economies in four areas: market access; border administration; transport and communications infrastructure; and regulatory and business environment. See <http://www.weforum.org/reports/global-enabling-trade-report-2014>.
- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which typically assesses anti-corruption and good governance mechanisms in diverse countries. For more information on the report, see <https://www.globalintegrity.org/global-report/what-is-gi-report/>.

Bilateral Investment Agreements

Mongolia and the United States have no bilateral tax or free-trade agreements, but we have signed and ratified a Bilateral Investment Treaty. For the BIT: <http://www.state.gov/e/eb/ift/bit/117402.htm>.

Bilateral Taxation Treaties

For a list of Bilateral Taxation Treaties Mongolia has signed with other nations go to UNCTD: <http://investmentpolicyhub.unctad.org/IIA/CountryBits/139#iialInnerMenu>. In February 2015, Mongolia and Japan signed an Economic Partnership Agreement (EPA) which has been ratified by the Mongolian Parliament. For more details on the EPA, go to <http://www.mofa.go.jp/policy/economy/fta/mongolia.html>.

OPIC and Other Investment Insurance Programs

The United States Overseas Private Investment Corporation (OPIC: www.opic.gov) offers loans and political risk insurance to American investors involved in most sectors of the Mongolian economy. In addition, OPIC and Mongolia have signed an Investment Incentive Agreement that requires the GOM to extend national treatment to OPIC-financed projects in Mongolia. (See http://photos.state.gov/libraries/mongolia/5/business/1990_OPIC-Investment-Incentive-Agreement-with-Mongolia.pdf). For example, under this agreement mining licenses of firms receiving an OPIC loan may be pledged as collateral to OPIC, a right not normally bestowed on foreign financial entities. (For an interactive map showing where OPIC has agreements: <http://www.opic.gov/opic-action/interactive-map-overview>.) The U.S. Export Import Bank (EXIM: www.exim.gov) offers programs in Mongolia for short-, medium-, and long-term transactions in the public sector and for short- and medium-term transactions in the private sector. Mongolia is a member of the Multilateral Investment Guarantee Agency (MIGA: www.miga.org).

Labor

The Mongolian labor pool of nearly two million workers is generally educated, young, and adaptable. The General Agency for Registration and Statistics (GARS) reports official unemployment at 33,000 as of December 2015, with youth unemployment (15-34 year olds) hovering around 61 percent of total

unemployed. Foreign workers officially registered with the GOM number 6779, with two-thirds of this total involved in construction, mining and manufacturing. As of the first quarter of 2016, GARS reported overall unemployment had risen to 11.6 percent from 7.4 percent in the same period in 2015. (Source GARS: <http://www.nso.gov.mn/>; and Ministry of Labor: <http://www.mol.gov.mn/>) Unskilled labor is sufficient, but shortages exist in most professional categories requiring advanced degrees or vocational training; and include all types of engineers and professional trades in the construction, mining, and services sectors. Foreign-invested companies deal with these shortages by providing in-country training to their staff, raising salaries to retain employees, or hiring expatriate workers with skills and expertise unavailable in Mongolia. (For labor needs: <http://www.mca.mn/document/LMSReportMNG.pdf>.)

Mongolian labor laws are not particularly restrictive. Investors can locate and hire workers without using hiring agencies—as long as hiring practices are consistent with Mongolian labor law. However, Mongolian law requires companies to employ Mongolian workers in all labor categories whenever a Mongolian can perform the task as well as a foreigner. This law generally applies to unskilled labor categories. However, if an employer seeks to hire a non-Mongolian laborer and cannot obtain a waiver from the Ministry of Labor for that employee, the employer can pay a monthly waiver fee. Depending on a project's importance, the Ministry of Labor can exempt employers from 50 percent of the waiver fees per worker. However, employers report difficulty in obtaining waivers, in part because of public concerns that foreign and domestic companies refuse to hire Mongolians at an appropriate level.

Because Mongolia's long, cold winters limit outdoor operations in the infrastructure development, commercial and residential construction, and mining exploration sectors, employers tend to use a higher degree of temporary contract labor than companies that can operate year-round. Current law allows employers and employees to enter these short-term contracts.

Employers have expressed concern over the package of proposed amendments to the labor law currently under consideration in the parliament. The amendment proposes that employers, the government, and the Confederation of Mongolian Trade Unions (CMTU) form a committee to set actual work hours and conditions, rather than allowing employers and employees to contract directly based on actual labor needs. Foreign and Mongolian employers have advocated against this and other proposed changes to the current labor law, noting that it would restrict their ability to respond to fluctuating market conditions.

The labor law entitles workers to form or join independent unions and professional organizations of their choosing and protects rights to strike and to collective bargaining. However, some legal provisions restrict these rights for foreign workers, certain public servants, and workers without formal employment contracts, though all groups have the right to organize. The law protects the right of workers to participate in trade union activities without discrimination, and the government has protected this right in general. The law provides for reinstatement of workers fired for union activity, but the CMTU stated that this provision is not always enforced. According to the CMTU, some employees faced obstacles to forming or joining unions, and some employers took steps to weaken existing unions. For example, some companies would use the portion of employees' salaries deducted for union dues for other purposes, not forwarding the monies to the unions. Some employers prohibited workers from participating in union activities during working hours, even though by law workers have the right to do so. There have also been some violations of collective bargaining rights, as some employers refused to conclude collective bargaining agreements in contracts.

The law on collective bargaining regulates relations among employers, employees, trade unions, and the government. Wages and other conditions of employment are set between employers (whether public or private) and employees, with trade union input in some cases. Laws protecting the rights to collective bargaining and freedom of association are generally enforced. The Tripartite Labor Dispute Settlement Committees (TC) resolve the majority of disputes between workers and management and consist of representatives from Mongolia's CMTU, employers, and the government. However, management and legal sector contacts state that TCs are not compliant either with the existing labor law or the 2013 Law on Mediation.) Cases that cannot be resolved by TCs are referred to the courts. (For Mongolian labor laws as they relate to union activity, refer to Mongolia Country Reports on Human Rights Practices for 2014 at <http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm#section7> .)

Current labor law allows employers to fire or lay off workers for cause; however, depending on the circumstances, severance may be required; and workers can always seek judicial review of their separation. The statutory severance package requires employers to pay laid off workers one month of the contracted salary; fired workers receive no severance. Laid off or fired workers are entitled to three months of unemployment insurance from the Social Insurance Agency.

The International Labor Organization (ILO) has expressed concern about child labor practices at variance with Mongolian law and international labor standards. Authorities report that employers often do not follow the law, requiring minors to work in excess of the statutory permitted hours per week and paying them less than the minimum wage. The General Agency for State Inspections (GASI) enforces all labor regulations, and its 1,250 inspectors are responsible for all inspections. Inspectors have the authority to compel immediate compliance with labor statutes, but the small number of labor inspectors combined with the growing number of privately owned enterprises limits enforcement. (For ILO conventions ratified by Mongolia:

http://www.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200:P11200_COUNTRY_ID:103142; or <http://www.ilo.org/beijing/countries-covered/mongolia/lang--en/index.htm>)

Foreign Trade Zones/Free Ports/Trade Facilitation

The Mongolian government launched its free trade zone (FTZ) program in 2004. Two FTZ areas are located along the Mongolia spur of the trans-Siberian highway: one in the north at the Russia-Mongolia border town of Altanbulag; the other in the south at the Chinese-Mongolia border at the town of Zamyn-Uud. Both FTZs are relatively inactive, with development pending at either site. A third FTZ is located at the port of entry of Tsagaan Nuur in the far western province of Bayan Olgii bordering Russia. Mongolian officials also suggest that the New Ulaanbaatar International Airport (NUBIA), expected to commence operations in spring 2017, may host an FTZ. As first noted in the April 2004 USAID sponsored Economic Policy Reform and Competitiveness Project, benchmarking Mongolia's FTZ program against current successful international practices shows deficiencies in the legal and regulatory framework as well as in the process being followed to establish FTZs in the country. In addition, FTZs lack implementing regulations to require key international best practices. Further, a process of due diligence, including a cost-benefit analysis, has never been completed for the FTZs. Moreover, sufficient funding has never been mobilized for on-site infrastructure requirements for the FTZ sites. Finally, deviations from international best practices in the process of implementing FTZs repeats mistakes made in other countries and may lead to "hidden costs" or the provision of subsidies that the government of Mongolia did not foresee and which may have been granted at the expense of higher priorities.

Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 1: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Mongolia Gross Domestic Product (GDP) (USD Millions)	2014	USD 12.02	2014	USD 12.02	www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in Mongolia (USD M USD, stock positions)	2012	USD 62.6	2014	USD 31.0	BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Mongolia FDI in the United States (USD M USD, stock positions)	NA	NA	NA	NA	BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Total inbound stock of FDI as % Mongolia GDP	NA	NA	2014	13%	http://www.tradingeconomics.com/mongolia/foreign-direct-investment

Mongolia Host Country Data: National Statistical Office, Mongolian Statistical Year Book, 2013: www.nso.mn

Table 2: Sources and Destination of FDI

The Invest Mongolia Agency (IMA) stopped annually tracking FDI in 2012 and has never tracked where the beneficial ownership of a given investment actually terminates, but only where the company claims its domicile. We are aware of numerous cases where foreign entities active in Mongolia do not incorporate in their countries of origin but in third countries, largely for tax purposes. Consequently, although Mongolia's data and the IMF's respectively suggests that much of Mongolia's investment originates from such places as the Netherlands or Singapore, much of that investment actually comes from other jurisdictions.

Direct Investment from/in Counterpart Economy Data

From Top Five Sources/To Top Five Destinations (U.S. Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	16,693	100%	Total Outward	NA	100%
Netherlands	8,649	52%	NA	NA	NA
Singapore	1,393	8%	NA	NA	NA
Hong Kong SAR	1,318	8%	NA	NA	NA
United Kingdom	1,264	8%	NA	NA	NA
P.R. China: Mainland	1,027	6%	NA	NA	NA
"0" reflects amounts rounded to +/- USD 500,000.					

Source: IMF Coordinated Direct Investment Survey

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, U.S. Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	280	100%	All Countries	205	100%	All Countries	75	100%
Hong Kong	97	35%	PR China	80	39%	PR China	37	49%
PR China	40	14%	Australia	33	16%	Singapore	17	23%
Australia	34	12%	United States	30	15%	Hong Kong	17	22%
Singapore	33	12%	Singapore	16	8%	United States	2	3%
United States	32	11%	Canada	15	8%	United Kingdom	1	2%

Source: IMF Coordinated Portfolio Investment Survey

Contact for More Information on the Investment Climate Statement

The Economic and Commercial Section
U.S. Embassy in Mongolia
P.O. Box 341
Ulaanbaatar 14192
Mongolia

TELEPHONE NUMBER: +976-7007-6001

EMAIL ADDRESS: Ulaanbaatar-Econ-Comm@state.gov

Trade & Project Financing

Methods of Payment

Payment in cash is the most common method of payment, although electronic payments are becoming more common. Although the tugrik is the official currency for all domestic transactions, dollars may be used for some exchanges. These payments can be in hard currency or through wire transfers into and from Mongolian-bank accounts. Letters of credit remain hard to obtain due to weaknesses in banking supervision and difficulties in collecting on defaults. Pay-as-one-goes should be the mantra for American investors active in Mongolia. We do not recommend paying cash in advance or extending credit until a clear record of trust and successful transactions exists. Tight control of finance and procurement is recommended. There are no private collection or credit rating agencies currently active in Mongolia.

Banking Systems

The banking system has become more efficient and reliable, although supervision lags and some banks do not measure up to international standards. Prior to 1991, no Western-style commercial or central banking system existed in Mongolia. The State Bank was the only bank in Mongolia. In October 1990, the Mongolian Government, in line with free market economic reforms, dissolved the State Bank. In 1991, Mongolia enacted a new banking law to create a western-style banking system. The law re-organized the banking system into a two-tier structure. The Bank of Mongolia or Mongol Bank acts as the central bank, implementing monetary policy. Other private and public banks provide commercial services.

The Trade and Development Bank (TDB), Golomt Bank, Khas Bank, and Khan Bank are the four largest commercial banks.

A foreign company or organization (such as a joint venture or wholly owned firm) may open an account by presenting the following information to their bank:

1. Company registration from the General Authority for Registration and Statistics (GARS) at www.burtgel.gov.mn.
2. Authorization from the Ministry of Finance.
3. A letter requesting the account.

A private foreign individual may open an account upon written request. Banks usually have forms that serve as written requests. A passport is required.

Exchange Services

Mongolian banks provide exchange services for all amounts; however, larger amounts may be subject to regulatory delays or delays due to currency availability.

Transfers and Withdrawals

Most of Mongolia's banks make international money transfers. The four largest banks maintain correspondent relations with several foreign banks and maintain accounts in major world currencies with several of them. Clients may transfer money into and out of their domestic accounts, subject to domestic reporting requirements. There are no set limits on the amount that may be withdrawn from an account. The bank charges a small commission on cash withdrawals in hard currency. There is no commission on cash withdrawals in tugriks at the daily buying rate. The bank charges a commission on all transfers of hard currency within Mongolia and to other banks abroad. International transfers of interest income, profits, etc. may be subject to 20 percent withholding tax by the bank on behalf of the Mongolian Tax Authority.

Banks no longer cash personal checks.

Travelers' Checks, Credit Cards, and ATMs

The Trade and Development Bank is the primary bank that cashes and sells American Express, Thomas Cook, Visa, and MasterCard U.S. dollar-denominated travelers' checks. The bank sells travelers' checks for U.S. dollars without commission. There is a commission on drawing travelers' checks from an account. The checks may be cashed for Tugriks with no commission charge. If cashed for hard currencies or deposited into an account, the client pays a small commission.

Major hotels accept American Express, Visa, Master Card, and JCB credit cards. More major stores, restaurants, and travel agencies also accept credit cards. Most banks offer cash advances on major credit and charge cards. Most banks maintain ATMs that allow cash withdrawals through international networks. Merchants can add a 3 - 4 percent surcharge on both credit and charge card purchases.

Foreign Exchange Controls

The tugrik (MNT) is the national currency of Mongolia and the only legal currency. Since July 1996 and renewed in 2009 legislation, all cash payments and transactions must be made in tugriks (with exceptions for certain bank and government transactions). Mongolia maintains a floating exchange rate policy although the central bank does intervene in the foreign currency market to maintain a steady exchange rate. In May 2016, the rate was approximately USD 1 = 2000 MNT. Individuals may exchange money at authorized exchange points, as well as at banks and hotels. English language newspapers and radio and TV programs regularly report exchange rates. There are no foreign exchange controls affecting either investment or trade in Mongolia. Infrequently, the commercial banking system has shortages of dollars that slightly delay remittances. The local currency, the tugrik, floats freely. Several banks and exchange kiosks are licensed by the Bank of Mongolia to engage in foreign currency exchange. Large transactions are subject to government reporting requirements.

US Banks & Local Correspondent Banks

International Service Banks in Mongolia

Khan Bank of Mongolia: <https://www.khanbank.com/en.html>

Golomt Bank: <http://www.golomtbank.com/en/home>

Trade and Development Bank: <http://www.tdbm.mn>

Khas Bank: <http://www.xacbank.mn/>

(Note: There is currently no U.S. bank operating in Mongolia; and no Mongolian bank has a direct correspondent relationship with a U.S. bank.)

Project Financing

In Mongolia's market economy, there are many ways to finance imports. The most common is the letter of credit. The Trade and Development Bank and Golomt Bank are familiar with letters of credit, as are major importers/distributors in Mongolia. However, credit tends to be quite tight in Mongolia. Many domestic and foreign investors seek financing outside Mongolia. Sources of financing available for U.S. exporters and investors are:

THE WORLD BANK (www.worldbank.org or www.worldbank.org/mn): The World Bank, based in Washington, D.C., publishes bidding opportunities in the United Nations publication "Development Business." This is available by subscription from United Nations, PO Box 5850, Grand Central Station, New York, New York 10163-5850.

The World Bank conducts procurement by the rules of international competitive bidding through Mongolian government agencies; nonetheless, successful bidding requires close coordination with the Mongolian government entity responsible for development of a project at the consulting stage, when specifications are being established. The World Bank Mongolia Office can be contacted at (976-11) 312-647 or by email at eastasiapacific@worldbank.org.

THE INTERNATIONAL FINANCE CORPORATION (www.ifc.org; www.ifc.org/ifcext/eastasia.nsf/Content/mongolia):

The International Finance Corporation (IFC) maintains an office in Ulaanbaatar and plans more activities in Mongolia. IFC's core business is financing projects with cash flows that can cover debt-service repayment to lenders and payment of dividends to shareholders. Such financing is without government guarantees. IFC can be contacted through its Washington, D.C. headquarters at (202) 473-1000 or at its Ulaanbaatar office (976-11) 312-694 or by email at Ntuyen@ifc.org.

ASIAN DEVELOPMENT BANK (www.adb.org or <http://www.adb.org/Mongolia>):

The Asian Development Bank (ADB) largely provides loans for infrastructure and agricultural projects. Once the ADB and the Mongolian government initially approve a project, it is included in a monthly publication called "ADB Business Opportunities." Available by subscription from the Publications Unit, Information Office, ADB, PO Box 789, Manila, Philippines, fax (632) 632-5122 or 632-5841.

The U.S. Commerce Department has established a multilateral development bank operations office (fax: 202/273-0927) that publishes information to assist companies in winning such contracts.

EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

(<http://www.ebrd.com/pages/country/mongolia.shtml>):

The European Bank for Reconstruction and Development (EBRD) maintains an active portfolio in Mongolia in all sectors of the Mongolian economy. Contact the EBRD at Tel: (976 11) 317 974/298; Fax: + 976 11 315 844.

US TRADE AND DEVELOPMENT AGENCY (<http://www.tda.gov>):

The Trade and Development Agency (TDA) occasionally participates in Mongolian projects. Once active sectors and potential projects are identified for possible feasibility study financing or technical assistance, TDA will hire its own technical consultant to review the project. TDA's basic criteria for project funding are:

- The project is a developmental priority of the host country
- There is a likelihood of project financing
- The U.S. export potential is significant
- There is foreign competition for the project

Contact the U.S. Trade and Development Agency at 1000 Wilson Boulevard, Suite 1600 Arlington, Virginia 22209, Tel: 703/875-4357, fax: 703/875-4009.

EXPORT-IMPORT BANK (EXIM) (<http://www.exim.gov>)

The Export-Import Bank of the United States (EXIM) is the official export credit agency of the United States. EXIM is an independent, self-sustaining Executive Branch agency with a mission of supporting American jobs by facilitating the export of U.S. goods and services. When private sector lenders are unable or unwilling to provide financing, EXIM fills in the gap for American businesses by equipping them with the financing tools necessary to compete for global sales. In doing so, the Bank levels the playing field for U.S. goods and services going up against foreign competition in overseas markets, so that American companies can create more good-paying American jobs. Because it is backed by the full faith and credit of the United States, EXIM assumes credit and country risks that the private sector is unable or unwilling to accept. The Bank's charter requires that all transactions it authorizes demonstrate a reasonable assurance of repayment; the Bank consistently maintains a low default rate, and closely monitors credit and other risks in its portfolio.

OVERSEAS PRIVATE INSURANCE CORPORATION (OPIC: <http://www.opic.gov>) The United States Overseas Private Investment Corporation (OPIC: www.opic.gov) offers loans and political risk insurance to American investors involved in most sectors of the Mongolian economy. In addition, there is an Investment Incentive Agreement in force between the United States and Mongolia that requires the GOM to extend national treatment to OPIC-financed projects in Mongolia. (See <http://mongolia.usembassy.gov/economic-data.html>). For example, under this agreement mining licenses of firms receiving an OPIC loan may be pledged as collateral to OPIC, a right not normally bestowed on foreign financial entities.

Financing Web Resources

Mongolian Resources

Invest Mongolia Agency: <http://www.investmongolia.com/>
General Tax Authority of Mongolia: www.mta.mn
General Agency for Registration and Statistics: <https://burtgel.gov>
General Authority for Social Insurance: www.ndaatgal.mn
Government of Mongolia: <http://www.pmis.gov.mn>
Intellectual Property Office of Mongolia: <http://www.ipom.mn/>
Mineral Resources and Petroleum Authority of Mongolia: <http://www.mram.mn>
Mongol Chamber of Commerce and Industry: <http://www.mongolchamber.mn/en/>
Mongolian Builders Association: <http://www.buildersasso.mn>
Embassy of Mongolia, Washington, DC: <http://www.mongolianembassy.us>
Parliament of Mongolia: www.parliament.mn
American Chamber of Commerce Mongolia: <http://amcham.mn/>
Business Council of Mongolia: www.bcmongolia.org/

U. S. Government Resources

Trade Finance Guide: A Quick Reference for U.S. Exporters, published by the International Trade Administration's Industry & Analysis team: <http://www.export.gov/tradefinanceguide/index.asp>
U.S. Export-Import Bank of the United States (EXIM): <http://www.exim.gov>
EXIM Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html
Overseas Private Investment Corporation (OPIC): <http://www.opic.gov>
Trade and Development Agency: <http://www.tda.gov/>
SBA's Office of International Trade: <http://www.sba.gov/oit/>
USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>
U.S. Agency for International Development: <http://www.usaid.gov>
Senior Commercial Specialist at the U.S. Embassy in Ulaanbaatar: Ulaanbaatar-Econ-Comm@state.gov
U.S. Embassy, Ulaanbaatar: <http://mongolia.usembassy.gov>
U.S. Department of State: <http://www.state.gov/>
U.S. Department of Commerce: <http://www.commerce.gov/>
U.S. International Trade Administration: <http://www.trade.gov/>

Business Travel

Business Customs

- Personal relationships in business are critical. The Mongolians like to deal with *old friends*. Exporters, importers and investors must establish and maintain close relationships with their Mongolian counterparts and relevant government agencies. Equally important, American exporters should encourage strong personal relationships between their Mongolian agents or distributors and the buyers and end-users. A web of strong personal relationships can smooth development of business in Mongolia.
- Family and school ties remain strong in Mongolia. Learn who is related to whom when establishing business connections.
- Mongolians look for cues of serious intent by how much effort —time and material —a foreign investor puts in the early phases. Initial meetings should be conducted in formal settings, in suit and tie, with an exchange of cards. Small gifts are always appreciated. Subsequent meetings can be more relaxed as circumstances permit. Lunches and dinners are always appreciated. However, expect and allow the Mongolians to be generous hosts, as this is an important part of local culture. Being a good guest and business partner requires that one partake of the festivities at the start of any business relationship. However, to keep the relationship balanced from the start, we advise businesses to host meals.
- New entrants to the Mongolian market tend to see Mongolians through the prism of their neighbors. That is, one may think that Mongolians are like the Chinese or the Russians or the Koreans, etc. While historical and cultural affinities exist between Mongolia and her neighbors, Mongolians are very conscious and proud of their history and the progress of their country over the last decades. They become offended if confused with China and deeply resent being compared to other developing countries with similar commodity-dependent economies —especially those from Africa. Rather they prefer to be compared to other former East-Bloc nations as Poland, Kazakhstan, Ukraine, the Czech Republic, etc.
- Avoid letting cultural sensitivity to Mongolian norms impede good judgment and commonsense. Some Mongolians will tell investors that Mongolian customs preclude best commercial practices, insisting that an attractive deal may not go through if those practices are not ignored. We advise investors to politely but firmly adhere to sound business principles. Investors who do so will earn the respect of the Mongolians and may protect their investment, too.

Travel Advisory

Please see Mongolia travel information on the Department of State's website:

<https://travel.state.gov/content/travel/en/consularnotification/mongolia.html>. The U.S. Embassy in Ulaanbaatar also has a website: <http://mongolia.usembassy.gov/>.

Visa Requirements

Mongolian Visas

Mongolia requires a valid passport for American visitors. No visa is required for Americans visiting for less than 90 days. However, certain registration requirements may apply. For updated registration requirements please inquire from the Mongolian Immigration, Naturalization and Foreign Citizens Agency (INFCA) in Ulaanbaatar (<http://immigration.gov.mn/index.php>). American visitors who fail to register and stay longer than 30 days may be stopped at departure, denied exit, and fined. Americans planning to work or study in Mongolia should apply for a visa at a Mongolian Embassy or Consulate overseas. Failure to do so may result in authorities denying registration, levying a fine, and requiring that the visitor leave the country. For current information on visa/registration requirements, contact the Embassy of Mongolia in Washington, D.C. at: (202) 333-7117 or <http://www.mongolianembassy.us>.

Please be advised that the U.S. Embassy cannot assist you with Mongolian visa applications or intercede on your behalf should you have a problem with a Mongolian visa.

Residency Permits

A foreign investor must present a request issued by the Invest Mongolia Agency (IMA) to the Immigration, Naturalization and Foreign Citizens Agency (INFCA). IMA issues such requests to approved foreign investors. Permits are generally issued within a couple of days and are valid for three months to one year. Individuals may renew temporary residency permits an unlimited number of times. Each renewal will re-validate the permit for a period of three months up to one year, as requested by the investor. For more detailed information about residency permits, contact IMA at www.investmongolia.com.

Those seeking employment in Mongolia or foreign-owned enterprises, including NGOs, must apply to the Labor Coordination Agency. Those wishing to establish an NGO must first obtain a permit from the Ministry of Justice. After obtaining the required permits, all foreigners must then apply for residency permits at INFCA.

Travel Information

U.S. citizens transiting China to reach Mongolia can obtain a 72-hour transit visa exemption at ports of entry in Beijing and Shanghai for short stays; subject to satisfying certain requirements (see http://beijing.usembassy-china.org.cn/acs_faq.html.) However, U.S. citizens traveling to Mongolia via China may also obtain a valid Chinese visa from an authorized Chinese diplomatic mission – even if the traveler is only transiting Beijing airport.

U.S. companies that require travel of foreign businesspersons to the United States should be advised that security options are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/index.html>

United States Visas.gov: <http://www.unitedstatesvisas.gov/>

U.S. Embassy in Ulaanbaatar: <http://mongolia.usembassy.gov/index.html>

Currency

The tugrik (MNT) is the national currency of Mongolia and the only legal currency. In May 2016, the rate was approximately USD 1 = 2000 MNT. Individuals may exchange money at authorized exchange

Telecommunications/Electric

Mongolia has an evolving telecommunications system. In the capital of Ulaanbaatar, the Internet is available and reliable. Mongolia has reliable satellite, Wi-Fi, and fiber-optic linkages to the World Wide Web; however the last mile of connection for some publicly accessible systems, especially in rural Mongolia, remains through landlines and dial-up modems. Consequently, downloads to these sites may be slow and subject to interruption. Mongolia has numerous ISPs and Internet cafes offering a full range of services.

Most hotels, usually in *business centers*, offer regular access to the Internet. A growing number of hotels offer in-room connectivity. We advise travelers to contact their hotel in advance of travel regarding this issue.

Wireless services have become common at private venues. Usually, these private venues offer the service to customers at no charge.

In the countryside computing remains a challenge. Most provincial capitals have several Internet cafes but some linkages are by land-wire to Ulaanbaatar, which are subject to regular disruption. Firms requiring e-services in the field may have to make provision for some sort of satellite infrastructure. Regarding phone service, Mongolia has followed a fairly regular pattern for Asia. Rather than upgrading its land-based system, Mongolia has developed cellular systems. Ulaanbaatar and most of its surrounding municipalities are linked by four existing private cellular service providers Mobicom (<https://www.mobicom.mn/en/>), Unitel (<https://www.unitel.mn/index.php/unitel>), Skytel (<https://www.skytel.mn/>), and G-Mobile (<http://www.g-mobile.mn/en/>). These firms offer sales and service for handsets and other products related to their fields. Cellular service in the countryside is available in all provincial capitals and in most county centers. Satellite-phone service is also available through Mobicom.

Regular and reliable electricity is available throughout most of Mongolia; however, occasional power outages and brownouts do occur.

Transportation

Business travelers can best enter Mongolia by plane (or train if time is less of an issue). Currently there are no direct flights from a U.S. point of departure to Ulaanbaatar, Mongolia. One can fly from the United States to Seoul/Incheon, Beijing, Tokyo, Berlin, Frankfurt, Istanbul or Moscow; and then take the last leg into Ulaanbaatar's Chinggis Khaan International Airport. Korean Airlines, Air China, Aeroflot, Turkish Airlines and Mongolian National Airlines (MIAT) maintain weekly flights. Summer schedules offer more flights than in winter, including as of summer 2014 direct flights from Paris (Hunnu Airlines)

and Frankfurt (MIAT) but still flights are limited. In summer seating may be in short supply during high season (June-September). We advise booking early in the summer.

During the spring (and sometimes in summer), severe storms may cause flight cancellations but more normally delays.

Domestic air service is available to most provincial capitals through MIAT, AeroMongolia, and Hunnu Airlines.

The difficulty of in-country travel is directly related to how far one wishes to travel from Ulaanbaatar. There are generally no restrictions on in-country travel, except when within 25 kilometers (15 miles) of Mongolia's international borders with China and Russia. If traveling to these areas, check with a local travel company regarding required permits.

Within the capital transport options abound. Taxis, Mini-buses, buses, and electric trolleys are readily available. We suggest that first time business travelers arrange for a car and driver with a local travel firm. Costs vary with type of car and driver, but cars ranging from U.S. limousines to Russian Jeeps are available.

Traffic and road conditions in Ulaanbaatar have become progressively worse over the last few years; and so, travelers are advised to schedule their meetings and trips with no less than a half-hour margin. In the countryside, travel requires a reliable, off-road vehicle and a skilled driver. Jeeps are also available for hire to more remote destinations. Most of Mongolia's road network is unpaved and travel is unpredictable. Ulaanbaatar has hotels with standard amenities, but few hotels exist outside of the capital. In the countryside, there are ger camps (encampments of 10 to 40 traditional round felt tents). Each ger usually accommodates 2 to 4 persons. Most tourist camps have restaurants and are usually equipped with toilets and showers with hot water.

Language

Mongolian is the official language of Mongolia. All contracts and other legal documents must be in Mongolian if the business conducted is done in this country. Translations of contracts, laws, regulations, etc., have no force in Mongolian courts, agencies, and other government offices. English is the *de facto* language through which most foreign investors engage with their Mongolian counterparts. Russian, Japanese, German, Korean, and Chinese are also used.

Health

Medical facilities in Mongolia remain limited. Some western medicines are unavailable. Infectious diseases, such as plague and anthrax, are present at various times of the year. Serious medical problems requiring hospitalization and/or medical evacuation to the United States can cost thousands of dollars or more. Additionally, many medical transport companies will not transport people without previous arrangements and agreements have been made. All visitors are recommended to have medical evacuation insurance. Doctors and hospitals often expect immediate payment for health services. For more information, please contact the U.S. Embassy in Ulaanbaatar or the Centers for Disease Control and Prevention's international travelers' hotline. Also check [www.http://travel.state.gov](http://travel.state.gov) for the latest U. S. State Department warnings and updates.

SOS Medica Mongolia

SOS operates a clinic in Ulaanbaatar. Individuals may purchase clinic six month to one year membership package; or can be treated on a fee for service basis without a membership. For more information contact:

UB International Clinic 4a Building, Big Ring Road, 15th Micro District, 7th Khoroo, Bayanzurkh District, Ulaanbaatar, Mongolia

Opening hours: 9am-6pm – Monday to Friday After hours, weekends and public holidays – Emergency call-out service **Contact details:** Telephone: +976-11-464325 /26/27 Clinic Manager: +976-99096175 Fax: +976-11-454537

For after hour emergencies please phone:

+976-9911-0335 (English) +976-9191-3122 (Mongolian) E-mail: admin@sosmedica.mn
marketing@sosmedica.mn

Website: <http://www.sosmedica.mn>

UNITED FAMILY INTERMED HOSPITAL**HOURS:**

Monday - Friday: 8am - 5pm

Saturday: 9am - 2pm

Sunday: Closed

24/7 Emergency and Inpatient Services

ADDRESS

United Family Intermed Hospital
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Uildver 17040
Ulaanbaatar Mongolia

TEL:

(976)-7000-0203, 7710-0203

EMERGENCY:

(976)-7000-0103

FAX

(976)-7000-0203

EMAIL: info@intermed.mn

Sanitation in some restaurants is inadequate. Stomach illnesses are frequent. Bottled water and other routine precautions are advisable. Information on vaccinations and other health precautions, such as safe food and water precautions and insect bite protection, may be obtained from the Centers for Disease Control and Prevention's hotline for international travelers at 1-877-FYI-TRIP (1-877-394-8747); fax 1-888-CDC-FAXX, (1-888-232-3299), or via the CDC's Internet site at <http://www.cdc.gov/travel>.

Local Time, Business Hours and Holidays

Mongolian Standard Time (MST) is thirteen (13) hours ahead of EST in the fall and winter months. In the spring and summer months, Mongolia goes on daylight savings time and is thirteen (13) ahead of EDT. The standard 40 hour workweek is 0900-1800, Monday through Friday, with an hour for lunch. Holidays are as follows:

Mongolian and U. S. Official Holidays in 2016:

January 1	Friday	New Year's Day	USA/Mongolian
January 18	Monday	Martin Luther King, Jr.'s Birthday	USA
February 9	Tuesday	Lunar New Year*	Mongolian
February 10	Wednesday	Lunar New Year*	Mongolian
February 11	Thursday	Lunar New Year *	Mongolian
February 15	Monday	Washington's Birthday	USA
March 8	Tuesday	International Women's Day	Mongolian
May 30	Monday	Memorial Day	USA
June 1	Wednesday	Mother and Child Day	Mongolian
July 4	Monday	Independence Day	USA
July 11	Monday	National Holiday/Naadam	Mongolian
July 12	Tuesday	National Holiday/Naadam	Mongolian
July 13	Wednesday	National Holiday/Naadam	Mongolian
July 14	Thursday	National Holiday/Naadam	Mongolian
July 15	Friday	National Holiday/Naadam	Mongolian
September 5	Monday	Labor Day	USA
October 10	Monday	Columbus Day	USA
November 11	Friday	Veterans Day	USA
November 24	Thursday	Thanksgiving Day	USA
December 26	Monday	Christmas Day	USA

Temporary Entry of Materials or Personal Belongings

The Mongolian National Chamber of Commerce and Industry can arrange for duty free import of display items for trade shows. For more information, contact the MNCCI in Ulaanbaatar:

Tel: 976-11-327176

Fax: 976-11-324620

Email: chamber@mongolchamber.mn

Web Site: www.mongolchamber.mn

MNCCI Building Mahatma Gandhi street 1st khoroo, Khan-Uul district Ulaanbaatar 17011

Travel Related Web Resources

Mongolian Resources

Invest Mongolia Agency: <http://www.investmongolia.com/>

General Tax Authority of Mongolia: www.mta.mn

State Registration Office of Mongolia: <https://burtgel.gov>

General Authority for Social Insurance: www.ndaatgal.mn

Government of Mongolia: <http://www.pmis.gov.mn>

Intellectual Property Office: <http://www.ipom.mn/>

Mineral Resources and Petroleum Authority of Mongolia: <http://www.mram.mn>

Mongol Chamber of Commerce and Industry: <http://www.mongolchamber.mn/en/>

Mongolian Builders Association: <http://www.buildersasso.mn>

Embassy of Mongolia, Washington, DC: <http://www.mongolianembassy.us>

Parliament of Mongolia: www.parliament.mn

American Chamber of Commerce Mongolia: <http://amcham.mn/>

Business Council of Mongolia: www.bcmongolia.org/

U. S. Government Resources

Senior Commercial Specialist at the U.S. Embassy in Ulaanbaatar: Ulaanbaatar-Econ-Comm@state.gov

U.S. Embassy, Ulaanbaatar: <http://mongolia.usembassy.gov>

U.S. Department of State: <http://www.state.gov/>

U.S. Department of Commerce: <http://www.commerce.gov/>

U.S. International Trade Administration: <http://www.trade.gov/>

U.S. Trade and Development Agency: <http://www.ustda.gov>

U.S. Export-Import Bank: <http://www.exim.gov/>

U.S. Overseas Private Investment Corporations: <http://www.opic.gov>

Leading Sectors for U.S. Exports & Investment

Mining

Overview

Plentiful mineral endowments, proximity to strong markets in Asia, and general political stability make investing in and selling U.S. mining equipment and services to Mongolia's mining sector potentially promising activities. In 2016, according to government figures, the mining sector accounted for 20.6 percent of the GDP, 80 percent of exports, over 30 percent of the national budget revenue, and over 70 percent of the country's foreign direct investment. However, economic slowdowns among Mongolia's key regional export partners, particularly China, coupled with government policy missteps, have impacted sector growth. This has limited, but not halted, the sector's medium to long-term potential as a market for the export of U.S. goods and services in the mining sector.

Sub-Sector Best Prospects

Two particular projects represent the promise of Mongolia's mining sector: the Oyu Tolgoi copper-gold project (OT) and the prospective Tavan Tolgoi coking coal project (TT). These marquee projects are likely to remain central to Mongolia's mineral sector. The OT mine alone contains over 35 million tons of copper and 1,275 tons of gold and will likely drive Mongolia's GDP growth well into the future. Production at OT started in 2013 and was scheduled to reach full capacity by 2017-18.

Investors consider this settlement to develop the OT underground mine a positive signal that Mongolia is open for business. (For details on the OT settlement: <http://www.turquoisehill.com/s/Home.asp>.) At full capacity, the OT mine is expected to supply 450,000 tons of copper a year, close to 3 percent of world output.

Although its development is at a more preliminary stage than the OT project, the TT coal basin holds estimated reserves of over 6 billion tons of high quality thermal and coking coals. This equals approximately 100 years of production capacity. Although the government of Mongolia has, in past years, sought international bids on Tavan Tolgoi's development, as of mid-2016, the shape and scale of an international development were still under active debate in Mongolia's parliament.

In addition to these projects, Mongolia continues to explore its significant potential in other mining areas, including but not limited to gold, molybdenum, fluorspar, zinc, tungsten, rare earths, iron, and uranium. Mongolia ranks fifth among global fluorspar producers, producing both acid and metallurgical grades, with 4 percent of the world's total production. Mongolia's most common and potentially commercial rare earths are tantalum, niobium, yttrium, thorium, and zircon.

Opportunities in the mining sector have already positively influenced U.S. exporters of mining goods and services. Overall exports from the U.S. to Mongolia grew from USD 43 million in 2009 to USD 650 million in 2012, or 15 times, with at least a fifth of these exports directly linked to the OT mining project. Recent periods of slower economic growth and policy missteps have led to export volumes declining to around USD 70 million in 2015. The hope is that the relaunching of OT will spur U.S. exports at OT and other projects throughout the entire Mongolian mining sector. Exporters willing to consider adding value through local employment and investment will find a welcoming environment.

	2013	2014	2015 (estimated)	2016 (estimated)
Total Market Size	10,412	9,476	NA	NA
Total Local Production	6,143	6,437	NA	NA
Total Exports	4,269	3,039	NA	NA
Total Imports	6,358	2,756	NA	NA
Imports from the U.S.	279.5	167.5	NA	NA
Exchange Rate: 1 USD	1700	1900	NA	NA

(In Millions USD)

Data Sources:

Total Local Production: National Statistics Office of Mongolia (<http://en.nso.mn/>)

Total Exports: Bank of Mongolia (<http://www.mongolbank.mn/>)

Total Imports: Bank of Mongolia (<http://www.mongolbank.mn/>)

Imports from U.S.: U.S. Census Bureau (<http://www.census.gov/foreign-trade/balance/c5740.html#2011>)

Web Resources

Mineral Resources Authority of Mongolia: <http://mram.gov.mn/?lang=en>

Mongolian Mining Journal: <http://en.mongolianminingjournal.com/home.shtml>

Oyu Tolgoi active tenders: <http://ot.mn/active-tenders/>

Construction

Overview

The construction sector is one of the larger sectors in the Mongolian economy, ranking 3rd after mining and agriculture by its contribution to GDP. The commercial and residential construction sectors accounted for 13 percent of GDP in 2015 and around 15 percent of total FDI coming into Mongolia goes to the construction sector, second after the mining sector (Source: NSO). 80,000 people work in the construction sector, and the industry generates 130,000 jobs in related fields. (Source: *Mongolian Economy* magazine, June 2015, No. 14). Since 2012, commercial and residential building stock has increased due to government backing, spurred by expectations of a mining-led economic boom. In 2012, the government initiated several programs to spur housing and construction. In mid-June 2013, the Bank of Mongolia launched a USD 550 million mortgage lending program and a USD 200 million support program for construction material companies and real estate developers. The government used proceeds from sovereign bond issuances to underwrite construction related businesses.

Mongolia currently produces about 60 percent of construction materials used domestically and imports the remaining 40 percent. Mongolia seeks to produce as much of these materials domestically as possible and is establishing programs that support localization of production in Mongolia. On August 17, 2015, the Mongolian Cabinet of Ministers issued Resolution #332, which increases customs taxes on all types of imported cement from 5 percent to 20 percent to support the sale of the locally produced cement. On March 28, 2016, the Cabinet issued Resolution #185 that raised tariffs for many products, including a number of construction materials. (For a list of affected products and customs rates go to <http://www.legalinfo.mn/law/details/11845?lawid=11845>.)

The cost of building new property in Mongolia is around USD 750 per sq. meter. The average price of a new apartment in the capital city's central area is USD 800-1,400 per sq. meter. The largest construction market is in the capital city of Ulaanbaatar, where 1.3 million people constitute 46 percent of Mongolia's 3 million citizens. As of 2014, 58 percent of Ulaanbaatar's total population lived in less-developed, peri-urban "ger" (felt tent residences) districts. Housing those who live in these districts will require not only new residential stock but an upgrading of related infrastructure, including roads, water facilities, power plants, etc.

Sub-Sector Best Prospects

In response to shortfalls of housing stock and related infrastructure, the government emphasizes building new residential apartments, and enhancing necessary infrastructure to address the shortage of apartments. This effort also includes building outside of the current metropolitan area to encourage out-migration and ease pressure on the capital's infrastructure.

Government Housing Programs

Housing for 100,000 Households: A government program that plans 75,000 units for the capital and 25,000 for the Mongolian countryside (apartments for at least 1,000 households per province in the countryside offering 5 percent mortgages); the Ulaanbaatar city government's Ger Area Land Re-adjustment plan, which is reforming ger (felt tent residences) areas around city. The mayor's office is also receiving technical support and possible financing from the Asian Development Bank (ADB) for affordable housing. Almost 7,000 apartments were built under this program. In addition, the Mongolian Mortgage Corporation reports that over 100,000 apartments are in the pipeline.

- The Infrastructure project: part of the Government program for 2012-2016 aims to accelerate new development projects, build infrastructure and engineer public utilities, and carry out technological upgrades in water supply and wastewater treatment. Funding comes from the Development Bank of Mongolia: in 2013 and 2014, USD 50 million was provided, and further financing for 2015-2016 of USD 15.6 million has been approved. The government expects additional contributions from international donors such the ADB, Japan, China, and France.
- A new urban area is envisioned around Ulaanbaatar's new international airport, located 30 miles south of capital and set to become operational in mid-2017.

	2013	2014	2015 (estimated)	2016 (Jan-Apr)
Total Market Size	6,477	5,590	4,220	1,026
Total Local Production	4,388	6,127	5,092	1,510
Total Exports	4,269	5,774.3	4,669.5	1,347.4
Total Imports	6, 358	5,236.7	3,797.2	862.7
Imports from the U.S.	512.7	229.5	116.5	33.5
Exchange Rate: 1 USD	1,524	1,818	1,970	2021

(In Millions USD)

Data Sources:

Total Local Production: National Statistics Office of Mongolia (<http://en.nso.mn/>)

Total Exports: Bank of Mongolia (<http://www.mongolbank.mn/>)

Total Imports: Bank of Mongolia (<http://www.mongolbank.mn/>)

Imports from U.S.: U.S. Census Bureau (<http://www.census.gov/foreign-trade/balance/c5740.html#2011>)

Agricultural Sector

Overview

Agriculture remains a mainstay of Mongolia's economy, both as a source of national revenue and employment. Agriculture and herding generate, directly or indirectly, more than half of the country's jobs. In 2015, the National Statistics Office of Mongolia reported that the sector generated 13 percent of Mongolia's GDP. The growth of the sector in the 1st quarter of 2016 was 3.7 percent y-o-y, as opposed to 10.5 percent the year before.

Long central to Mongolia's economy, agriculture has been slow to adopt modern methods. Large-scale privatization of state farms and livestock cooperatives in the early 1990s, the deregulation of prices of major agricultural products, and the liberalization of agricultural trade hit the state-operated, state-owned sector hard. Early privatization was ill-timed, ill-conceived, and ill-executed. From 1991 to 1995, production of some staples declined to dangerously low levels. The government recognizes that livelihood sustainability in rural areas depends largely on modernizing the livestock sector and improving land management. In 2002 the government passed legislation allowing the long-term leasing of crop land and the privatizing of agricultural services. The government has consistently declined to privatize grazing land, but it does allow Mongolian citizens and foreigners to acquire long-term use rights to these lands. The Ministry of Food and Agriculture has told us that its key goals are to increase local production for export, build its capacity to mitigate veterinary disease, and reduce Mongolia's dependence on imported food products, both processed and unprocessed. To do this, the government seeks ways to better brand Mongolian food products, expand domestic production and processing of agricultural products, and improve technological capacity related to quality control. These Mongolian goals offer opportunities to U.S. exporters with goods and services that support agricultural and livestock processing value chains.

Sub-Sector Best Prospects

Although most of Mongolia's aimags (provinces) have established private food plants and shops, there is a tendency to import food products from abroad, because domestic production does not meet international standards. The Bank of Mongolia reports that Mongolia spends around USD 500 million on food imports annually. This reliance on higher quality through imports is driven, in part, by the low technological base in the food production industry. For this reason, the Mongolian agricultural sector engages in very little domestic processing of food and animal products. The Ministry of Food and Agriculture reports show that domestic meat production has remained generally flat from 2008 through 2013, and exports have actually declined during the period.

Challenges with upgrading existing production technology continues to slow development of food production, as well as the export of such higher value-added agricultural products as leather or cashmere. Both the public and private sectors want to improve livestock raising processes and the operations at food processing plants, but the persistence of veterinary diseases and lack of capacity seriously constrain export opportunities.

Meat Production-Processing

<u>Item</u>	<u>Unit</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Meat from agriculture</u>	<u>Thous.t</u>	<u>221.3</u>	<u>264.4</u>	<u>204.4</u>	<u>208.0</u>	<u>220.4</u>	<u>238.2</u>	<u>NA</u>
<u>Meat and meat products produced at factories</u>	<u>Thous.t</u>	<u>12.0</u>	<u>21.4</u>	<u>14.7</u>	<u>15.6</u>	<u>16.4</u>	<u>22.1</u>	<u>NA</u>
<u>Exported meat and meat products</u>	<u>Thous.t</u>	<u>10.3</u>	<u>17.9</u>	<u>23.8</u>	<u>10.6</u>	<u>3.7</u>	<u>3.0</u>	<u>NA</u>

(In Thousands Mongolian Tugrik)

	2013	2014	2015 (estimated)	2016 (Jan-Apr)
Total Market Size	6,477	5,590	4,220	1,026
Total Local Production	4,388	6,127	5,092	1,510
Total Exports	4,269	5,774.3	4,669.5	1,347.4
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Total Imports: Bank of Mongolia (<http://www.mongolbank.mn/>)

Imports from U.S.: U.S. Census Bureau (<http://www.census.gov/foreign-trade/balance/c5740.html#2011>)

Web Resources

UN Food and Agriculture Organization Mongolia Profile:

<http://www.fao.org/countryprofiles/index/en/?iso3=mng>

Renewable Energy

Overview

In addition to its vast endowments of coal and other mineral resources, Mongolia also has vast renewable energy potential. The U.S. National Renewable Energy Laboratory estimates that Mongolia has 2.6 terawatts (TW) of total renewable energy potential. The Gobi Desert has been identified as a suitable location for construction of both solar and wind power plants, with 300 days of sunshine per year, high level of wind resources, low moisture, and low temperatures. The Eg, Selenge, Zavkhan, and Hovd River watersheds in the northern and western regions of Mongolia have also been identified as areas with abundant hydropower resources.

Following the inauguration of Mongolia's first utility-scale wind farm facility in July 2013, which was funded by the Millennium Challenge Corporation, the Mongolia government has demonstrated a strong political commitment to green development by seeking to raise the share of renewable energy from its current 7 percent of installed capacity to 20 percent by 2023, and to further increase this to 30 percent by 2030. Growing numbers of wind and solar projects are in the pipeline in response to the renewable energy targets set by the government.

To incentivize renewable energy development, the Mongolian government has mandated feed-in tariffs of 9.5 U.S. cents per kWh for wind energy and 15 to 18 U.S. cents per kWh for solar energy. In addition, in December 2015 the Mongolian government provided for customs and VAT exemptions for imports of renewable energy equipment.

Sub-Sector Best Prospects

In July 2013, the 52 MW Salkhit wind farm commenced operations using U.S. wind turbines. Currently, a number of wind farm projects are in the planning and development stages, with five companies (Clean Energy, CleanTech, Sainshand Wind Park, Aydiner, and AB Solar) having obtained licenses from the Energy Regulatory Commission of Mongolia. The exploitation of Mongolia's wind resources will require the procurement of equipment such as wind turbines, tower sections, rotor blades, gears, generators, casting and forgings and transformers. In addition, engineering, construction, and logistics services will be needed to install the equipment.

In 2014, Tractebel Engineering, a subsidiary of the French energy giant Engie, completed a feasibility study that recommended a 315 MW hydro plant on the Eg River. The Export-Import Bank of China earmarked \$830 million for the project in 2015, but has since suspended the loan due to Russia's concerns over transboundary water flow and environmental impacts. Given that Russia will unlikely consent to the project in the near term, U.S. companies may have opportunities to provide equipment and services to the project along with a financing deal.

Regarding solar energy, U.S. companies may have opportunities to provide central solar heating systems, which provide heating and hot water based on solar energy, to government buildings, schools, hospitals, and residences.

Mongolia's electrical grid is currently disadvantaged by its lack of an energy storage capability or regulator component. Plans to construct a new, modern coal plant and a 315 MW hydro plant are advancing and once completed, will introduce some flexibility into the electricity grid. However, implementing electrical storage capabilities would provide a fast and effective mechanism to incorporate wind and solar renewable energy production into the domestic market.

Although Mongolia has a limited domestic energy market, the regional market, which includes China, Japan, and South Korea, is immense. The development of an interconnected electrical grid, an “Asian Super Grid,” could permit renewable energy generated in Mongolia to power neighboring and other regional countries.

U.S. investors and exporters should note that some of these power generation projects may qualify for Public Private Partnership (PPP) and concessional arrangements with the GOM. While there currently is no standard PPP agreement or package of concessions for those seeking to develop power projects, the GOM recognizes in principle the need to provide a stable framework for those seeking to build and profitably operate renewable power facilities.

U.S. companies wishing to invest in Mongolia’s renewable power generation projects can contact OPIC, U.S. EXIM, and USTDA about potential financing in relation to their investment projects.

Web Resources

International Renewable Energy Agency Renewables Readiness Assessment: Mongolia:
<http://www.irena.org/menu/index.aspx?mnu=Subcat&PriMenuID=36&CatID=141&SubcatID=1692>

Mongolian Wind Energy Association: <http://www.monwea.org/>

Energy Efficiency

Overview

Mongolia's increasing demand for energy as well as hazardous air pollution is pressuring its government to take energy conservation seriously. Energy efficiency figures prominently in Mongolia's National Green Development plan approved by Parliament in June 2014. For example, the government aims to reduce greenhouse gas emissions in the energy sector through the increase of energy efficiency by 20 percent by 2030, while it seeks to reduce building heat losses by 20 percent and 40 percent by 2020 and 2030, respectively. The government's National Green Development plan states that the government will increase investment in energy efficiency and green development by two percent of the GDP annually for an unspecified period of years.

According to the Energy Conservation Law, the Energy Conservation Council (ECC) will be a major player in this sector. Working under the supervision of the Energy Regulatory Commission, the ECC will be responsible for implementing energy conservation-related state policy and legislation, formulating national energy conservation programs, registering designated consumers, tracking and monitoring metrics and performance, and issuing licenses for energy auditors and energy managers.

Sub-Sector Best Prospects

In November 2015, the government passed the Energy Conservation Law, which will require designated consumers – large energy consumers in Mongolia – to conduct an energy audit and to take appropriate measures to conserve energy. As a first step, a 15 percent energy reduction target is expected for designated consumers, which is estimated to be around 140 large businesses and public institutions. The number of designated consumers will also expand in the future to include smaller entities. The government plans to provide incentives and levy penalties to ensure proper enforcement of the law.

Given the new ECC, U.S. energy service companies engaged in diagnostics and energy management will have growing opportunities in Mongolia. These U.S. companies could potentially deliver consulting services directly to the designated consumers or partner with local engineering companies to provide technology and know-how to improve energy efficiency.

The government of Mongolia, in partnership with the United Nations Partnership for Action on Green Economy (PAGE), is working to develop green building codes and policies in Mongolia, which will initially be applied to new kindergarten and school buildings constructed with public funds. U.S. manufacturers of environment-friendly construction materials may find opportunities in Mongolia's push for green buildings.

In addition, the governments of the United States and Mongolia are working together to develop local capacity to implement Cold Weather Engineering Principles in Mongolia to improve basic living conditions of under-served, impoverished "Ger-district" residents of Ulaanbaatar. The Ulaanbaatar population has nearly doubled in 14 years, outstripping GoM's ability to provide essential services in an area where winter temperatures drop below -40F degrees. These workshops would introduce construction principles which will improve air quality, hygiene, industrial health and safety, and comfort. Through a series of workshops and joint construction projects, both governments aim to improve basic living conditions by increasing links between Mongolian engineers and the Mongolian construction industry and U.S. construction firms' expertise in CWEP.

Web Resources

Global Green Growth Institute: Mongolia: <http://gggi.org/mongolia-green-growth-planning-2/>

Supply Chain/Logistics

Overview

While the Mongolian government and private sector have expended considerable financial resources on transportation improvements, the area of logistics lags behind. According to the World Bank's 2016 Logistics Performance Index, Mongolia ranked 108 out of 160 countries. In addition to inefficient connections and inadequate warehousing, underdeveloped systems and choke points cause goods to move slowly. This lack of efficient logistics threatens to keep the cost of imported goods high and exports uncompetitive despite the heavy investment in transportation.

Initiatives led by regional countries and organizations as well as by the private sector are introducing better-managed systems and improved logistics within Mongolia. These initiatives, involving efforts from China, Central Asia Regional Economic Cooperation (CAREC), and others, are poised to put Mongolia at the center of major global logistical networks.

Sub-Sector Best Prospects

As Mongolia seeks to develop its agricultural industry, especially in the export sector, development of a cold chain industry is required to enable food preservation during shipment. With an estimated 70 million head of livestock, Mongolia produces large quantities of meat and dairy products, and almost all of it is either consumed domestically or wasted. Due to the lack of a reliable cold chain sector, the small amount exported is limited to carcasses or live animals.

An effective supply chain consists of refrigerated transportation and storage, good roads, rail, and airports connecting suppliers, warehouses, and consumers. Mongolia has made great strides in developing its road network, transporting 16.7 million tons of cargo in 2015. Currently, Mongolia has a network of 6,000 miles of hard-top roads, of which 3,800 miles has been built within the past two years. The Mongolian government is seeking regional support to further develop its roads. Mongolia's rail network transported the vast majority, or 19.1 million tons, of cargo in 2015. However, due to underinvestment, the rail network has reached its current capacity and barring additional investment, additional cargo will need to be sent by road.

A key component of Mongolia's plans to expand its logistical networks is the New Ulaanbaatar International Airport (NUBIA), located about 36 miles south of Mongolia's capital city Ulaanbaatar. Construction is scheduled for completion by the end of 2016, with a projected June 2017 commencement of operations. NUBIA will be operated by the Civil Aviation Authority of Mongolia (CAAM), and will meet all the requirements of the International Civil Aviation Organization (ICAO).

NUBIA will have the capacity to handle 3 million passengers per year and capacity to expand up to 12 million passengers per year; its six connecting gates can receive 21 air craft simultaneously and 22,000 flights per year, compared to the approximately 4,000 flights that take place at current facility.

While currently almost nonexistent at 28.2 tons in 2015, air cargo has great potential to grow with NUBIA. The new airport has the potential to serve as a cargo hub between China and Europe. The development of an airport logistics hub is under discussion. NUBIA is to become a "Hybrid Cargo Logistics Center" located at the intersection of road and rail traffic coming out of the capital of Ulaanbaatar. Airport officials estimate NUBIA will handle 9,200 metric tons/year of international cargo and 2,700 metric tons/year of domestic cargo.

The Mongolian warehousing industry currently is quite small and basic, with next to no capacity for temperature-controlled storage. Several private firms have constructed warehouses, but agricultural products often spoil due to inadequate facilities, with estimates of up to USD 120 million in product losses.

	2013	2014	2015 (estimated)	2016 (Jan-Apr)
Total Market Size	6,477	5,590	4,220	1,026
Total Local Production	4,388	6,127	5,092	1,510
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Imports from U.S.: U.S. Census Bureau (<http://www.census.gov/foreign-trade/balance/c5740.html#2011>)

Web Resources

Ulaanbaatar Airport Construction Project: <http://www.nubia.mn/>

Information Technology (IT)

Overview

Over the last five years Mongolian demand for information technology (IT) goods and services has boomed as Mongolia's young and adaptable population has embraced IT products for personal and professional uses. In its Fiscal Year Report 2015 on Mongolia's information technology sector, the Communications Regulatory Commission (CRC) reports that Internet service users rose from 200,000 subscribers in 2010 to 2.4 million in 2015. Internet penetration has reached 80 percent and the infrastructure for its use now covers most of Mongolia. Mongolians' use of mobile and smart phones has also skyrocketed, growing from 60 percent of the population in 2009 to 102 percent of the population in 2015. (Note: Most Mongolian consumers subscribe to more than one IT and telecommunication service and own at least 2 mobile devices).

Demand for both communications and internet technologies has been evolving rapidly. In the telecommunications sector, the use of fixed lines is minimal and declining, as Mongolia has largely bypassed this stage, proceeding directly to the use of mobile and wireless technologies. There are four major providers – Mobicom, Skytel, Unitel, and G-mobile – all offering pre-paid and post-paid plans for communication and computer services.

Introduction of new technologies has accompanied the boom in mobile phone use. Since 2009, MobiCom, Skytel, and Unitel have offered 3G high-speed mobile broadband services in Mongolia, and are currently in the early stages of rolling out 4G services. These services are accessible to all users, provided they have the supporting technology on their phones. Several companies also successfully market pre-paid, long-distance direct calling card services.

Mongolian law provides for freedom of speech and press. Individuals and groups may engage in the peaceful expression of views on the internet, but the government imposes restrictions in broad terms on internet content, as well as on television and radio service, while providing only a limited definition of restrictions. The government maintains a public list of websites blocked for alleged violations of relevant laws and regulations, including those relating to intellectual property. Apart from this, there have been cases of apparent government interference with online expression on websites or by internet users who posted stories or opinions that criticized or reflected negatively on government officials. Mongolia is a member of the Freedom Online Coalition (FOC), a cross-regional intergovernmental coalition of 30 countries established in 2011 that is committed to advancing internet freedom – free expression, association, assembly, and privacy online – worldwide. In its Freedom of the Press 2016 report, Freedom House, an independent international watchdog NGO, rated Mongolia "partly free," giving the country a score of 37 on a scale of 1-100 (0=best, 100=worst). South Korea, Romania, and South Africa received similar scores.

Sub-Sector Best Prospects

The CRC and the Information Technology, Post, and Telecommunication Agency of Mongolia (ITPTA) report that Mongolia's public and private networks are at risk from intrusion, and that both the government and commercial companies are seeking to develop domestic capacity to defend the integrity of Mongolian systems against these intrusions. While ITPTA representatives have declared that the Mongolian government prefers domestic solutions, it recognizes that outside expertise and products are essential to develop domestic capacity.

The government is seeking to identify systems and other technologies to support its program of delivering services from the municipal, provincial, and national level through high-speed broadband networks.

The IPTA also promotes Mongolia as possible location for cloud- computing data centers and backroom business operations. Mongolian IT specialist have the appropriate IT talents and skills to staff and maintain such facilities, but Mongolia lacks the startup capital and experience to build these facilities from the ground up. Partnerships between U.S. IT firms and Mongolian firms, along with the support of the GOM, may be worth exploring.

	2013	2014	2015 (estimated)	2016 (Jan-Apr)
Total Market Size	6,477	5,590	4,220	1,026
Total Local Production	4,388	6,127	5,092	1,510
Total Exports	4,269	5,774.3	4,669.5	1,347.4
Total Imports	6, 358	5,236.7	3,797.2	862.7
Imports from the U.S.	512.7	229.5	116.5	33.5
Exchange Rate: 1 USD	1,524	1,818	1,970	2021

(In Millions USD)

Data Sources:

Total Local Production: National Statistics Office of Mongolia (<http://en.nso.mn/>)

Total Exports: Bank of Mongolia (<http://www.mongolbank.mn/>)

Total Imports: Bank of Mongolia (<http://www.mongolbank.mn/>)

Imports from U.S.: U.S. Census Bureau (<http://www.census.gov/foreign-trade/balance/c5740.html#2011>)

Web Resources

Communications Regulatory Commission of Mongolia: <http://crc.gov.mn/en/>

Information Technology, Post, and Telecommunication Agency of Mongolia:
http://itpta.gov.mn/new/?page_id=25.